

FINANCIAL TIMES

COUNTERTRADE East and West seek new barter accord Page 4

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World News Business Summary

Iran and Iraq clash as UN prepares Gulf peace force

Iraq accused Iran of shelling its positions near the Shatt al-Arab waterway...

UK director sacked after £2m inside deal

AN ASSOCIATE director of County NatWest Woodmac, the securities subsidiary of the UK National Westminster bank...

OTC fraud involved 'at least \$250m'

By William Dullforce in Geneva OVER 10,000 investors paid more than \$250m into the net-work of companies involved in a worldwide fraud...

Belgium outlines stock exchange overhaul

By Tim Dickson in Brussels THE Belgian Government yesterday outlined its plans for a potentially radical overhaul of the Brussels Stock Exchange...

Joint space plan

The US and the Soviet Union are discussing unprecedented co-operation in space research and exploration...

US drought package

President Ronald Reagan signed a \$3.9bn relief package for US farmers hit by drought.

Dollar falls sharply as US banks raise prime rate to 10%

By Ralph Atkins in London and Janet Bush in New York THE DOLLAR fell against other major currencies yesterday in spite of leading US banks raising their prime corporate lending rates...

OECD warns Japan over inflation threat

By Ian Rodger in Tokyo INFLATION could break out in the Japanese economy in the next year or so if the anticipated continuation of the country's strong growth trend pushes the economy towards its production and manpower capacity limits.

Seoul detentions

South Korean police detained 400 people as about 2,000 students demonstrated against a Government ban on a meeting between North and South Korean students.

Soybeans



UK inflation 'will rise'

By Simon Heiberon, Economics Staff INFLATION in the UK will continue to rise, but high interest rates should help keep prices under control and allow the economy to return to a more balanced growth path...

Angola clashes

The 24th hours of the cease-fire between Angola and South Africa saw claims by Unita rebels in Angola to have killed 50 Government troops...

Kabul beats rebels

The Afghan Government claimed to have regained control of the provincial capital of Kunduz from rebel forces which entered it after Soviet troops withdrew.

AMERICAN International Group

A leading US insurance company, has increased its stake in Kleinwort Benson Group, the UK merchant bank...

Royal Insurance and Victoire break off talks on merger

By Nick Bunker in London and George Graham in Paris ROYAL INSURANCE and Groupe Victoire, the British and French insurers, have broken off long-running merger talks...

Kabul beats rebels

The Afghan Government claimed to have regained control of the provincial capital of Kunduz from rebel forces which entered it after Soviet troops withdrew.

Yugoslav drought

Up to a third of agricultural production may have been lost to drought in Macedonia. Yugoslavia's poorest republic. Trade liberalisation, Page 2

RECORD \$3.6bn contract

awarded recently to International Business Machines has been suspended pending a hearing on a protest by Hughes Aircraft, a subsidiary of General Motors, passed over in favour of IBM after a four-year bidding competition. Page 19

Gen Zia has benefited from Pakistan's opposition rivalry

A myth has grown up around Pakistan's leader, who has consolidated his power by consolidating his power. Now the trump card of Afghanistan is waning, he must rely even more on opposition rivalries and US aid to stay on top. Page 2

W Sahara proposals

Morocco and the Polisario Front were handed confidential new proposals for resolving the Western Sahara dispute. Background, Page 3

Italian hostages free

Ethiopian guerrillas released two Italian geologists held captive for nine months. Following a decision by their employer to pull out of a controversial development project.

POBSCHE, the West German sports car group, plans to cut its US sales by about 25 per cent in the 1988/89 model year, according to the management board member in charge of sales. Page 22

Western Sahara: UN attempts to break the deadlock in the 13-year conflict

Management West Germany's quiet takeover activity is unlikely to increase. Technology: Filling the executive car with the latest electronics. Occupied territories: Jordan's withdrawal throws a challenge to the PLO. Editorial comment: Japan defies its critics. Soviet society: Independent ideas and institutions do not mean the Party is over. Lex Oil: Rascal; RHM; Royal Insurance/Victoire; markets. Observer. Raw Materials. Stock Markets. Hall Street. London. Technology. Unit Trusts. Western. World Index.

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Ethiopian guerrillas released two Italian geologists held captive for nine months. Following a decision by their employer to pull out of a controversial development project.

No French embassy

France denied requests in the official Vietnamese press that it planned to open an embassy in the Kampuchean capital Phnom Penh.

POTENTIAL source of conflict between Grand Metropolitan, the UK drinks group, and Seagram, the Canadian drinks company, concerning distribution of GrandMet's brands in the Far East has been resolved. Page 18

Western Sahara: UN attempts to break the deadlock in the 13-year conflict

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Sonn debt offer

Zambian President Kenneth Kaunda said West Germany had offered to write off \$250m in debts if his Government adopted economic reforms proposed by the International Monetary Fund.

Papal no to Pretoria

The Pope has turned down Pretoria's last-minute invitation to include South Africa in his September tour of neighbouring states.

UNISYS, the US computer group, is to take over Convergent, a California maker of work stations, in an effort to bolster sales of computers running on the Unix operating system, a fast-growing market segment. Page 19

Gen Zia has benefited from Pakistan's opposition rivalry

A myth has grown up around Pakistan's leader, who has consolidated his power by consolidating his power. Now the trump card of Afghanistan is waning, he must rely even more on opposition rivalries and US aid to stay on top. Page 2

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MARKETS table with columns for Cocoa, Sterling, Stock Indices, and Interest Rates.

STOCK INDICES table listing New York, Dow Jones, S&P Comp, Nikkei, and others.

CONTENTS table listing various news items and their page numbers.

Advertisement for Peterborough Development Corporation featuring a Roman soldier illustration and contact information.

EUROPEAN NEWS

OVERSEAS NEWS

Moscow eases the reins on foreign trade

By John Lloyd in Moscow

THE LIBERALISATION OF Soviet foreign trade proceeds apace, as new organisations, banks and ventures are announced almost daily. The problem is knowing what these new enterprises do, and when they can do it.

such as the State Bank of the USSR, the Ministry of Finance and the Ministry of Foreign Economic Relations. It, too, is reported as being independent of the control of ministries.

entrenched monopoly in this field of the Vnesheconbank, the bank of foreign economic affairs, and the reluctance of the economic ministries to allow new organisations to operate in an unfamiliar, yet highly priced, area.

Opposition rivalries keep Zia on top

By David Goodhart in Bonn

ELEVEN YEARS at the top is a long time, particularly in a country as unpredictable as Pakistan.

Christian Lamb considers the career of Gen Zia as ruler of Pakistan

of options. His assertion that the majority of Pakistanis are in favour of non-party elections rings hollow when he himself admits the 1985 experiment failed.



Zia: eleven years

Italy phone 'clients' win a few rights

By John Wyles in Rome

THE CIVIL rights enjoyed in Italy have taken a quiet, but hope leap forward: a change which, in some Italian eyes at least, is scarcely less revolutionary than the astronomical discoveries of Copernicus.

Moderate Soviet line on southwest Africa

By John Lloyd

THE SOVIET UNION yesterday gave a measured and moderate view of the talks last week in Geneva on southwestern Africa, in what appeared to be an effort to steer the Cuban allies in the direction of compromise with South Africa.

while remaining opposed to South Africa and its policy of apartheid, the Soviet Union did not regard all suggestions from the South African side in the talks as out-of-court by definition.

solution of the Namibian issue could alleviate apartheid in South Africa. "No more aid is given to Unita than perhaps the Angolans could control the situation themselves."

Some of the shine rubs off perestroika

By John Lloyd

WITH THE fine flush of the 19th Soviet party conference more than a month past, perestroika is becoming a grind.

propaganda and culture, has told party activists in Latvia it is "impermissible" for individual national and ethnic issues to be given undue prominence.

Other reports yesterday pointed to the intolerable strain that perestroika is putting on some Communist party officials.

East bloc nations try to channel freedom

By Leslie Collett in Berlin

THE HUNGARIAN and Polish governments have warned their citizens against organising politically-oriented groups when new laws on the right of association and assembly enter force in both countries.

At present a kind of National Council of Hungarian Youth will be set up in the activities of the official and alternative youth organisations.

Under the new law ordinary organisations will register with the authorities, while socio-political organisations will need a presidential council licence.

Belgrade to speed up freeing of prices and imports

By Aleksandar Lebi in Belgrade

THE YUGOSLAV Government has decided, in the light of favourable trade figures, to accelerate its programme of liberalising prices and imports.

This left the total trade deficit for the first seven months of 1988 at \$133m, and the shortfall with industrialised states was \$214m: both figures are much lower than projected.

170 per cent despite attempts to enforce a price freeze. In addition to raging inflation, Yugoslavia's main problems include stagnating or falling industrial output, dismal illiquidity of companies and banks, and rising social tensions because of falling real wages.

Paris suburb dreams hopefully of Dallas-sur-Seine

The citizens of Ivry are looking to Elf-Aquitaine's drilling rig for a miracle, writes Georges Graham

IF YOU try very hard, you can just see the Eiffel Tower in the distance. More likely, you will notice the derelict ball-bearing factory on your right, and the power station now being demolished on your left.

edly, rubber bullets, led to 99 injuries, many of them serious, in the worst outbreaks of labour unrest France had seen in years.

Oil production began in 1983, and total output has climbed rapidly in recent years to reach 1.95m tonnes in 1987, 60 per cent of total French production.

Indian bankruptcies up

By David Goodhart in Bonn

THE number of Indian companies that are technically bankrupt has been rising at an alarming rate according to a study by the Federation of Indian Chambers of Commerce and Industry.

concedes will not find favour with the Government it says: "Unviable units should be allowed to close. Only the efficient units can survive competition."

OVERSEAS NEWS

Merchant banks linked to Hong Kong charges

By Michael Murray in Hong Kong

EIGHT former officials of the Hong Kong Stock Exchange appeared in court yesterday charged with offences under the colony's Prevention of Bribery Ordinance. The eight stand accused of accepting beneficial interests in allotments of shares from companies floated on the stock exchange during 1986 and 1987. Several leading merchant banks were named in the charges...

Hong Kong's merchandise trade grew by 29 per cent in the first half of 1988, according to figures released by the Census and Statistics Department yesterday, Michael Murray writes. During the six month period it was the colony's ballooning re-export trade which led the way. This was valued at HK\$117.5bn, an increase of 46 per cent over the same period last year. Of the total HK\$39bn worth China, up 50 per cent. Domestic exports during the first half rose by 11 per cent to HK\$3.6bn (US\$2.1bn), with increases of 29 per cent into China and 26 per cent to the UK. This, together with 14 per cent more domestic exports to West Germany and Japan, helped offset a 1 per cent decline in the value of Hong Kong-made goods bound for the US, the colony's largest market. In the other direction there was a 32 per cent leap in imports from the US, which contributed to a 29 per cent increase in total imports at HK\$221.7bn.

Various other charges against the seven remaining defendants involve allegations that allotments were received from Baring Securities, Citicorp and Wardley in the shares issues of Hysan Development, QPL and Video Technology respectively. It is a commonly heard complaint locally that share issues on the stock exchange during the past few years were under- subscribed. This often led to massive over-subscriptions, and substantial stagging profits for those who received allotments. Since Mr Robert Fell took over as chief executive of the exchange earlier this year it has been made clear that pricing of new share issues is now left to companies and their financial advisers, and that the Stock Exchange listings committee has no say in the matter. It is also understood that consideration is being given to the Stock Exchange to abolishing the traditional queue system for flotations, under which companies seeking a listing had to seek a place in the queue. This led to a situation where companies jostled competitively in order to secure a time slot for share flotations.

Protests paralyse towns in Burma

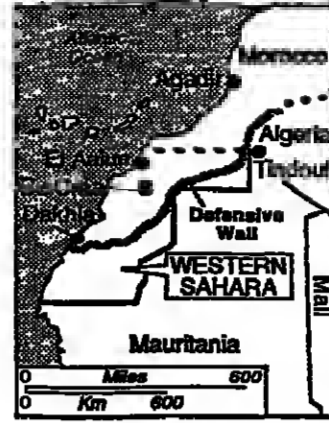
By Richard Gourlay in Bangkok

RANGOON and towns throughout Burma remained paralysed yesterday as protests against the Government of President Sein Lwin showed no sign of dying down despite four days of brutal military suppression, diplomats in Rangoon and returning tourists in Bangkok said. The army continued sporadically shooting into crowds of protesters, who are demanding democracy and cuts in rice prices, and in one case two girls were bayoneted, a diplomat said on Wednesday night. According to official reports, more than 80 mostly unarmed people have died, and 1,500 have been arrested as trouble has flared in 26 towns throughout Burma in uncoordinated rejection of a generation of autocratic military rule. Diplomats estimate that the casualties could be much higher in Rangoon alone and said truck loads of protesters are being taken out of the city by the army. Burmese officials broadcast pleas on state owned radio for the public to resist the efforts of "rowdies" who they said were trying to bring down the Government.

UN acts on Western Sahara war

Francis Ghiles reports on the prospects for peace in the Maghreb

REGIONAL REALITIES, domestic pressures, and an ingenious diplomatic compromise may be combining to break the deadlock in the 13-year war over Western Sahara. Since 1975 Algeria, the main backer of the Polisario Front, which is seeking the territory's independence, and Morocco, which has claimed it as an integral part of the Kingdom, have been at loggerheads over the future of the former Spanish colony. Western Sahara's two most important assets are large phosphate deposits at En Cdra, and rich fishing grounds off its Atlantic shore. Both Algeria and Morocco are today increasingly preoccupied on the home front. The two Governments are committed to radical structural reforms of their economies, and managing heavy foreign debt - \$18.5bn for Morocco, \$21.2bn for Algeria. Over the past few days the UN Secretary General, Mr Javier Perez de Cuellar, has been attempting to break the deadlock with a compromise calling for a ceasefire and referendum of the citizens of the Western Sahara, including those living in refugee camps. A formal proposal was presented yesterday in New York to Mr Abdellatif Fillali, the Moroccan Minister of Foreign Affairs, and to senior representatives of the Polisario Front. Moch diplomatic groundwork has already been done. The resumption of diplomatic relations between Algeria and Morocco three months ago was followed by two weeks of direct negotiations in the Saudi city of Jeddah last month. A Moroccan delegation, which included a member of King Hassan's family, met senior members of Polisario in a move which suggests that the three parties to this conflict are genuinely seeking a settlement. If agreement on both these points is reached, the third bone of contention - exactly who is a genuine Sahraoui - becomes less important. Any visitor to the Province du Sud, as the Moroccans call the West Sahara, discovers that many of the locals boast a distinctly northern Moroccan accent. And the Polisario camps, which officially hold 170,000,



have been swollen by truckloads of drought-stricken Tuareg nomads from neighbouring Mali. The cost of the Western Saharan conflict, especially for Morocco, is clearly proving increasingly burdensome for the two leading powers in the Maghreb. Saudi Arabia has given billions of dollars to King Hassan to help him buy US and French weapons over the years, but is now pressing the ruler of Islam's most western lands to reach a settlement. Mr Chadli Bendjedid, the Algerian head of state, for his part, is engaged in a major effort to liberalise and restructure his country's economy, at a time when its foreign income, derived from oil and natural gas, has halved in two years. Although anxious to ensure an honourable settlement, he does not share the zeal of his predecessor, Mr Houari Boumediene, in wanting to be seen fighting injustice wherever it turned out that what the Maghreb states have in common - namely fast-rising populations, a growing need for new jobs, the difficulties of external debt servicing, potential problems posed by Moslem fundamentalism alongside growing domestic pressures for greater freedom of expression - will help resolve the issue which for so long has divided two of its members.

Gadafi offers to pay West Bank salaries

By Andrew Whitley in Jerusalem and Tony Walker in London

COLONEL Muammer Gadafi, the Libyan leader, has offered to pay the salaries of some 20,000 former Jordanian Government employees and of last week, after King Hussein of Jordan severed administrative and legal ties with the Israeli-occupied territories. Col Gadafi said in an interview with Radio Monte Carlo that "Libya announces through your radio station that it will take the responsibility of paying the salaries." Col Gadafi estimated the cost would amount to about \$1m a month. The Israeli Government described as "ridiculous" the Libyan proposal, saying "we have the responsibility in these territories. We are in charge and the inhabitants are under our auspices, and we are taking care of them as we have for 21 years."

Meanwhile, the Jordanian Government has wasted little time in halting payments to its former employees in the West Bank and on development projects in the Israeli-occupied region. Mr Midhat Canaan, senior manager of the Cairo-Amman Bank - previously used by Jordan to transfer money to the West Bank - said yesterday that all payment orders connected with the scrapped Jordanian development plan for the occupied territories were halted on July 31. Jordanian officials are preparing for a high level Palestine Liberation Organisation delegation to Amman that will be led by Abu Mazen, a member of the PLO Executive Committee. The visit will provide the first opportunity for comprehensive discussions with Jordan since the King announced last week he was yielding direct responsibility for the West Bank to the PLO.

Fiji urged to start economic reform

FJI'S republican rulers should undertake a drastic programme of deregulation and privatisation and guarantee basic civil and economic rights if their racially-torn country is to avoid economic failure, according to new study published today. The study, by three Australian academics, offers the most detailed analysis of the Fijian economy since the South Pacific archipelago underwent two military coups and five changes of government in the space of six months last year. The first coup, in May 1987, followed the April election victory of an Indian-dominated multiracial coalition over the ethnic Fijian government led by Ratu Sir Kamisese Mara. By November the man behind the coups, Brig Sitiveni Rabuka, had re-installed Ratu Mara, as leader of a republican Fiji without a constitution. According to the Australian study, real per capita incomes in Fiji fell by 13 per cent in 1987 and will fall again this year. Unemployment could reach 20 per cent by the end of 1988. The annual inflation rate is 20 per cent. Capital flight is up at \$200m (\$45m) a year, despite controls, and the authors say there is a danger Fiji's foreign loans will have to be rescheduled. The dramatic contraction in living standards is described as comparable to that seen in Europe between 1983 and 1986, and the authors urge Australia to initiate a three-to-five-year Marshall Plan in which aid for reconstruction is made conditional on specific policy reforms and is then phased out. The plan's aim, they say, must be to set a framework for individual initiative and self-help, and to replace Fiji's post-colonial structure of cen-

Chris Sherwell reports on the recommendations of an Australian study. Their lengthy catalogue of proposed changes includes an end to import and export licensing and tariff protection, a sell-off of government enterprises and educational institutions, deregulation in the financial sector and of wage-fixing, and - perhaps most controversial - the commercialisation of the use of traditional (meaning ethnic Fijian-owned) lands. Behind these proposals lies the authors' belief that the turmoil of 1987 has its roots less in the racial division between ethnic Fijians and Indians than in the country's poor economic management and performance over many years. The way forward, the authors maintain, is a move into the modern world, the promotion of self-reliance among ethnic Fijians and an attempt to ensure all Fijians get starting opportunities that are as equal as is feasible. "If indigenous Fijians use political control to obtain preferment by intervention and positive discrimination in a big and inefficient state sector, the long-term prospects are that there will be more racial tension and long-term economic decline," the authors declare. "Fiji: Opportunity from Adversity" by Prof Wolfgang Kasper, Dr Jeff Bennett and Prof Richard Blandy (Centre for Independent Studies, Sydney, 1988).

Japan advertiser threatened

A RIGHT-WING Japanese group yesterday claimed responsibility for an incident in which a shot was fired at the home of Mr Hiromasa Eno, who recently resigned as chairman of Secruit, a company embroiled in a stock exchange scandal, Stefan Wagstyl writes. It appears the attack was

connected with the fact that Mr Eno's company is a big advertiser in Asahi Shimbun, a leading liberal newspaper. The Army of Red Patriots is believed by police to have claimed responsibility for four recent attacks on Asahi staff and offices. No-one has been charged over these incidents.



"Not Eastenders again."

"I didn't think Spurs could do it."

"Could you move me to the window. It's a beautiful day."

"Does he think I'm stupid?"

Some days Michael doesn't stop talking.

Michael is so disabled with cerebral palsy he can only move his eyes. He communicates by indicating symbols on a special chart which a skilled helper translates on his behalf.

He depends on other people to be his arms, legs and voice. But he doesn't depend on them for his opinions, beliefs or tastes. The Spastics Society is teaching him to

use a word processor specially developed for people who can only move their eyes. One day he may be able to produce a few words an hour. His own words.

FOR FURTHER INFORMATION OR TO MAKE A DONATION WRITE TO THE SPASTICS SOCIETY AT 12 PARK CRESCENT, LONDON WIN 4EQ. TEL: (01) 436 5028. FTI. NAME ADDRESS POSTCODE AMOUNT £ FOR ACCESS OR VISA DONATIONS PLEASE STATE CARD NO. SIGNATURE

THE SPASTICS SOCIETY FOR PEOPLE WITH CEREBRAL PALSY. Opening minds by opening doors.

AMERICAN NEWS

US limits troop outlay in message to Nato allies

THE US Senate yesterday approved new restrictions on spending for American troops overseas as a message to US allies in Japan and Europe to do more for allied defence, AP reports from Washington.

The decision came as the Senate tried to finish a defence bill that President Ronald Reagan will sign, the main item on its agenda before a summer recess for next week's Republican presidential convention.

The Senate gave voice vote approval to a "burden sharing" proposal backed by Democratic Senator Sam Nunn, chairman of the Armed Services Committee.

The plan orders a major review by the Defence Department of US overseas commitments, a new limit on US troop deployments to Japan, and a new ceiling on spending for US military personnel stationed overseas. US allies would have to pay for the American troops if the costs rise above the 1988 levels.

But before adopting the amendment, the Senate voted 59-36 to eliminate a provision for a 10 per cent reduction in

the total of American dependents stationed overseas with services.

There has been an increasingly loud chorus of election-year congressional calls for more defence help, particularly from Japan and European members of Nato.

"Despite the shift in economic fortunes since the Second World War, the US bears a disproportionate share of the cost of the common defence," Mr Nunn said on Wednesday.

"Someplace, sometime, we have to draw the line," said Mr Nunn. "I hope this will stimulate a more equitable burden-sharing."

Democrat Robert Byrd, who heads his party in the Senate, said, "There have been legitimate complaints in the United States that we are bearing a disproportionately large burden in Nato today."

Earlier on Wednesday, the Senate voted to add a Defence Department spending plan praised by Mr Reagan to its latest defence budget effort.

In addition, the chamber, with all Republicans voting no, voted 49-47 approval of a Demo-

crat-backed plan to provide \$27m in humanitarian aid to Nicaragua's Contra rebels after October 1.

The vote could mean a possible second vote in Congress this autumn on releasing \$16.3m in stockpiled weapons to the Contras, who oppose Nicaragua's left-wing Sandinista Government.

Last week, President Reagan vetoed a bill which authorises the Pentagon budget for the fiscal year starting on October 1. He specifically objected to cuts in his budget for Star Wars, the proposed space-based anti-missile system known formally as the Strategic Defence Initiative, and to Democrat-backed restrictions on arms control policies.

President Reagan vetoed the defence bill despite the advice of Defence Secretary Frank Carlucci and National Security Adviser Colin Powell, who both said it should be signed.

They were involved in earlier negotiations with congressional leaders over the legislation.

A presidential veto sends a bill back to Congress, where it takes a two-thirds majority to override it.



Arnulfo Arias Madrid: three times deposed

Panama's 'cheated' president dies in exile

By Robert Graham, Latin America Editor

THE Panamanian authorities yesterday declared eight days of mourning following the death of the 86-year-old former president, Dr Arnulfo Arias Madrid.

Dr Arias died in exile in Miami still nurturing ambitions of returning to Panama as president.

He claimed he was cheated of victory in the 1984 elections by the Defence Forces, whose candidate, Mr Nicolas Ardito Barletta, won. This prompted him to leave the country, establishing a base in Miami from where he has been a bitter and outspoken opponent of General Manuel Antonio Noriega, commander of the 15,000 strong Defence Forces.

He first became president in 1940-41 but was ousted at US instigation because of his pro-Nazi views. He was president again from 1949-51 before being forced out by the military. Elected once more in 1968, he lasted only 11 days, giving way to the military government of the late General Omar Torrijos.

His political views were erratic and at times racist (he once called for the deportation of blacks), and his charisma led to a popular following among a cross-section of Panamanian society. He was a familiar and latterly paternalistic figure in dark glasses and beret.

Brazilian Finance Minister returns fire in spending row

By Ivo Dawmay in Rio de Janeiro

MR MAILSON da Nobrega, the Brazilian Finance Minister, has counter-attacked in his clash with fellow ministers over their failure to restrain public sector pay rises.

In a symbolic gesture, he has ordered an audit of state companies to determine which have allowed unauthorised pay rises.

The move is being viewed in Brasilia as directly aimed at Mr Antonio Carlos Magalhães, the Communications Minister. His decision to grant a 35 per

cent salary rise for post and telecommunications workers this week provoked widespread reports that Mr da Nobrega was close to resigning in protest.

President Jose Sarney attempted to defuse the pay row on Wednesday by both reaffirming his confidence in Mr da Nobrega and signing a decree law authorising the payment of a salary freeze from April, to all public sector workers.

But, while this has temporarily defused the dispute, the clash has highlighted underlying tensions in the Government between the economic ministers currently attempting to impose austerity measures, and others determined to defend their sectoral interests.

Brazil's constitutional assembly has resumed debating the final draft of the new document after succeeding in re-establishing the 230-vote quorum needed to allow voting to be completed.

Troops to be deployed in Chile poll

By Mary Helen Spooner in Santiago

CHILE'S ARMED forces will be in charge of maintaining public order during the forthcoming presidential plebiscite, tentatively scheduled for early October, said Defence Minister Patricio Carvajal.

The commanders of the navy, air force, and national police, along with General

Augusto Pinochet, the country's leader, will meet on August 30 to choose the plebiscite's single candidate who will run in a yes or no election.

If this candidate - who could be General Pinochet himself - wins, he will serve for an eight-year presidential term, beginning in March of next year. If he loses, General Pinochet would remain in office another year, with open presidential elections would be held.

Admiral Carvajal said that the military will be placed on alert three days before the plebiscite, and on the day of the voting will stand guard as ballots are counted.

Ecuador's new President plans emergency economic package

By Sarita Kendall in Quito

ECUADOR'S newly-installed Social Democratic President, Mr Rodrigo Borja, is planning an emergency economic package to be implemented at the beginning of 1987, and negotiations on rescheduling did not lead to a new agreement.

The new economic team includes Mr Abelardo Pachano, who has considerable experience in debt problems and external economic policy, as head of the monetary board.

Mr Pachano said negotiations with Ecuador's creditors would be slow and difficult, but he hoped a long-lasting agreement could be reached. An economic package with stabilisation as the priority is expected shortly.

Mr Borja was careful to point out that he had no magic economic formulas and stability would have to precede revival of the economy. He promised growth, evenly distributed, as well as policies to create jobs and clear rules for foreign investors. Attacking corruption, he said honestly

had become a luxury, and called on all Ecuadorians to work together to find solutions for the country's problems.

Mr Borja met Mr George Shultz, US Secretary of State, for discussions on foreign debt, drug trafficking and terrorism. Although his predecessor was a staunch US supporter, the new President has promised an independent foreign policy. He has restored diplomatic relations with Nicaragua and yesterday welcomed Mr Daniel Ortega, the Sandinista leader.

Tim Coome adds from Mangua: While he is in Quito, Mr Ortega is expected to participate in what is effectively a mini-summit of Latin American leaders.

The Nicaraguan Foreign Minister, Mr Miguel d'Escobedo, said his Government was seeking Latin American support for Nicaraguan initiatives to revive the peace efforts in Central America.

Car sales boost US retail sales

By Lionel Barber in Washington

US RETAIL sales rose 0.1 per cent in July, mainly due to strong car sales, according to a Commerce Department report released yesterday.

Excluding car sales, retail sales rose by 0.1 per cent only, a softness which is not reflected in other official figures which show that the US economy is still growing strongly.

On Tuesday, the Federal Reserve, voicing concern about inflationary pressures, raised the key discount rate from 6 per cent to 6.5 per cent. The move led to yesterday's rise in the prime rate to 10 per cent from 9.5 per cent.

The July increase - still subject to revision - was in line with most analysts' expectations. It followed a revised rise of 0.6 per cent in June and a revised fall of 0.5 per cent in May. Earlier the Commerce Department had estimated the June increase at 0.5 per cent and the May rise at 0.1 per cent.

Mr Allen Sinai, the chief economist at Boston Co, in New York, said, the fundamentals for consumer spending remain strong. "You literally have to grab American consumers over the head to stop them from spending," he said.

For the seven months of this year, sales were 6.5 per cent above the period a year ago. Sales of all durable goods (those intended to last three or more years) rose \$38m, or 0.7 per cent, in July after a June increase of 0.5 per cent.

Sales of non-durable goods rose \$87m, or 0.4 per cent, in July to \$82m after a 0.3 per cent gain in June. Sales of building materials fell 1.8 per cent in July after falling 0.9 per cent in June.

Argentina loan

By Gary Mead in Buenos Aires

A World Bank delegation currently in Buenos Aires has approved a \$200m loan to Argentina, intended for reform of the financial sector.

According to Mr Jose Machin, the president of Argentina's central bank, the loan will be disbursed "in the next few days."

Republicans focus on Contra aid

By Lionel Barber

THE Republican party has decided to make future aid to the Nicaraguan Contra rebels a big presidential election issue, it became clear yesterday.

After debate in the US Senate, the Republicans refused to join a Democrat-sponsored package to provide \$27m in non-lethal, humanitarian aid to the Contras and so the measure passed 49-47 on partisan lines.

The proposal also included setting up a process whereby Congress could release \$16.3m in stockpiled arms to the Contras later this year. A bipartisan Senate vote may have

blunted Contra aid as an election issue.

The Republicans, egged on by the White House, claimed that the package was not satisfactory and should have provided immediate military support to the Contras, whose forces are beginning to break apart in Nicaragua.

The Senate Majority leader Mr Robert Byrd said he had tried to fashion a bipartisan package in good faith. "You can inscribe your name in blood on a shaft of marble and they still won't believe you," he said, adding that he was "sick and tired of a White House with no steel in its

guts."

Such language from Senator Byrd, 70, is unusual. He is due to step down as majority leader this year, and one reason is that Democrats think he is too mild in front of the TV cameras.

But the White House reckons it has an issue. Republicans can cry "Democrat sell-out" and they can try to exploit the divisions on Contra aid within the Democratic party and the presidential ticket - where Governor Michael Dukakis opposes any form of Contra aid while his running mate, Senator Lloyd Bentsen of Texas, favours it.

Mexico anti-inflation pact under pressure

By David Gardner in Mexico City

THE MEXICAN Government yesterday began negotiations with trade unions aimed at renewing the anti-inflation Economic Solidarity Pact, and is facing strong pressure to

grant significant wage rises.

The Pact, due to run out at the end of this month, has succeeded in bringing down inflation from a monthly rate of 15.5 per cent in January to 1.7

per cent in July.

Consumer prices have, however, risen well ahead of wages, which have fallen by over a third in real terms since the 1982 financial crisis.

WORLD TRADE NEWS

New Delhi gives go-ahead for VCR production

By David Housego in New Delhi

INDIA is to begin large-scale production of video cassette recorders (VCRs) under a programme expected to boost the electronic components industry sharply.

The Government yesterday said it would let three private-sector companies go ahead making VCRs up to a combined ceiling of 900,000 units a year. Negotiations are also under way for a fourth, public-sector plant, which officials say would provide the competition to force the private companies to hold down their prices.

India has allowed itself to fall behind VCR production in Asia because of the Government's reluctance to license the use of foreign exchange on imported components for consumer goods. Domestic production is currently insignificant.

Official sentiment has now changed, because of the explosion of demand - as reflected in the growing numbers of foreign VCRs brought into the country by Indians returning home - and the expected rapid growth of TV production in coming years.

The three companies granted letters of intent by the Government to make 300,000 units each a year are British Physical Laboratories (BPL), which is India's largest maker of colour televisions and which already has a joint venture with Sanyo of Japan for VCR manufacture; Videcon, which has links with Toshiba; and Bharat Forge.

The public-sector groups still

negotiating with Hitachi of Japan over an assembly plant are the Electronics Trade and Technology Development Corporation Corporation (ETTD) and the Electronics Corporation of India (ECIL).

Mr P P Nambiar, Secretary of the Electronics Department, said yesterday that the market for VCRs in India was about 2m units a year. Some 20m Indians own TV sets and domestic output of colour TVs is scheduled to rise to 5m a year by 1995.

The new domestic producers will benefit from a ban on finished imported VCR sets. Indians bringing VCR sets into the country now pay duty of 250 per cent above an initial exempt level of Rs300 (£20).

BPL now makes 2,000 VCRs a year under an earlier licence, which retail for about Rs14,000, including tax. Mr Nambiar said the Government expected domestically-produced VCRs to be sold for about Rs8,000 and competition would help enforce that price.

Over five years the Government expects the imported content of each unit to drop from Rs3,200 a unit to Rs400. Mr Nambiar called the decision to go ahead with VCR production a major step because of the boost it would give to electronics component manufacture. The Government now wants to encourage Indian groups to move into the manufacture of bipolar integrated circuits suitable for VCRs and other consumer electronics products.

Japan-China investment pact

JAPAN and China have agreed on an investment protection treaty after seven years of talks, Renter reports from Peking.

Japanese Premier Noboru Takeshita will sign the agreement in Peking this month, the official International Business newspaper said.

It said China had agreed to treat Japanese investors as Chinese companies as regards domestic sales and fund-raising, with free remittance of foreign exchange subject to legal restrictions. China has also

agreed to treat Japanese companies registered in third countries as companies of the third country, it said.

The absence of such a treaty has been a big reason for the low level of Japanese investment in China.

A Western diplomat said Tokyo had not been encouraging Japanese companies to invest in China.

"This attitude has changed completely," he said. "It was because of the very sharp appreciation of the yen and fall in the renminbi."

Brazil threatens Canadian sanctions

By Ivo Dawmay in Rio de Janeiro

BRAZIL IS threatening trade sanctions against Canada's annual exports of \$200m in sulphur, potash and coal if Ottawa refuses further concessions over long-disputed Brazilian textile quotas.

Three rounds of negotiations between the two countries over the sales of sheets, pillow cases and towelling to Canada have failed to resolve Brazilians' objections that they are being unfairly treated.

Failure to settle the dispute could now jeopardise Canada's hopes of selling Brazil a \$150m (£95m) telecommunications satellite system.

\$4bn telephone plan

Indonesia has unveiled a \$3.5bn privatisation plan to develop its telecommunications sector, almost doubling the number of telephones by 1994, writes John Murray Brown in Jakarta.

The plan will be funded by both World Bank and the Asian Development Bank soft loans, and private contractors using foreign credit.

Improved telecommunications is seen as a strategic imperative in a country of more than 18,000 islands in an area wider than the US.

Foster for Sweden

A further step in the globalisation of Foster's, the Australian lager owned by Elders IXL, was announced yesterday, Lisa Wood reports.

Foster's is to be brewed under license by AB Pilsner, Sweden's biggest brewer, the first time the lager has been brewed on the Continent.

Loan for Turkey

Japan's Export-Import Bank has signed a \$400m loan agreement with Turkey, the first such loan to be provided on a programme rather than a project-related basis under the country's scheme for recycling \$20bn to developing countries. The bank said the funds would be made available on an unsecured basis to finance general import requirements and to support Turkey's plans to restructure its financial sector.

East and West grope for barter accord

Judy Dempsey in Vienna reports on efforts to improve economic co-operation

THE PROSPECTS for improving East-West trade could significantly brighten in the autumn, if Western and East bloc diplomats agree on an important economic co-operation document.

For nearly two years, a review meeting of the Conference on Security and Co-operation in Europe (CSCE) has sat in Vienna trying to reach consensus. But a key obstacle to agreement is the establishment of ground rules for compensation trade, the more acceptable term for barter or counter-trade.

The work of the CSCE, whose participating countries include, with the exception of Albania, all the countries of Eastern and Western Europe, the Soviet Union, the US and Canada, is divided into three baskets.

In the past, attention has tended to focus on basket one, military and security matters and on basket three, which includes humanitarian issues. But for Western businessmen and, indeed, for Soviet leader Mr Mikhail Gorbachev's bold economic reforms, basket two is becoming a highly sensitive and important issue. Its main aim is to improve trade and economic co-operation between East and West. But, in recent months, East and West have become bogged down.

In previous CSCE meetings, compensation trade was mentioned only in passing. Neither the Soviet Union nor its East

European allies wished to discuss it. But in Vienna, partly because of feedback from Western businessmen and partly because of a "divine spark," the West is now insisting that Western managers trading with the East Bloc should be given some formal say about how they will be paid.

The nightmare of any Western entrepreneur is to sign a contract with an East European enterprise not knowing what form the compensation trade will take. A British company was paid by a Bulgarian enterprise a few years ago with an unspecified number of taps.

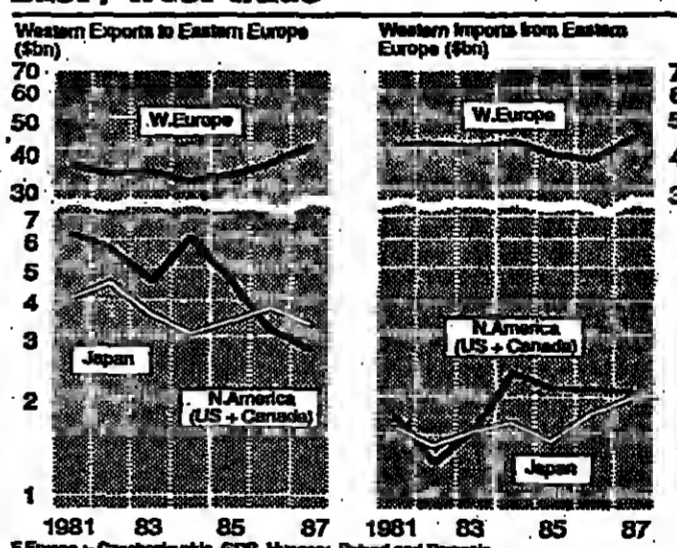
Western diplomats in Vienna are now suggesting that "proposals for compensation transactions be addressed at the beginning of negotiations, and when agreed upon, dealt with in a flexible way."

In practice, this would mean that the Western partner, if he agreed to be paid in compensation goods, would at least be given the opportunity to choose from a list of goods he was prepared to take.

As Western businessmen never tire of pointing out, it is often the case that the goods they get are well below world market standards, so they have to find a middleman who will dispose of the goods.

"I don't think you realise how much time I spend sorting out the middlemen. They are crucial. They know the markets, my countertrade goods. Of course they extract a hefty price but do I really want

East / West trade



Source: ECE Economic Survey 1987/8 Published June 1988

to be stuck with 40,000 outdated Czech men's hats" a businessman once remarked.

Figures are difficult to come by when trying to assess what percentage of Eastern Europe's foreign trade is paid for through compensation goods.

A study carried out in the mid-1980s by the UN Economic Commission for Europe (ECE), based in Geneva, showed that about 25 per cent of exports by the individual East European countries, including the Soviet Union, were concluded through barter deals.

Western delegations in Vienna seem adamant about fighting for more up-to-date macroeconomic information and statistics.

"It goes even further. What we want is a situation where Western businessmen can go to the enterprise without the heavy hand of bureaucracy and make his own contacts and contracts with the factory manager. In a nutshell, we want better working and marketing conditions," a Western diplomat explained, adding: "Above all, we want statistics of a meaningful kind."

These would include opportunities to do market research, train the labour force, negotiate costs, consider insurance schemes and be able to choose what to do with the profits.

This last point inevitably raises the issue of convertibility, which does not exist in any East European country. Western diplomats realise their expectations are high. They equally realise that East-West trade needs a formal structure upon which trade can actually improve, if not flourish.

Indian clothing industry faces challenge on quotas

By Alice Rawsthorn

THE chief challenge for the Indian clothing industry, which has experienced rapid export growth in recent years, is to overcome the problems of the international quota system, according to a report by the Economist Intelligence Unit (EIU).

In the past decade Indian clothing companies have seen their overseas sales increase almost eight-fold to \$20.2bn (\$262m). But the industry has now reached the ceiling of its export quotas to the US and Europe, negotiated under the Multi-Fibre Arrangement, and its growth may be curtailed. The clothing companies

began by exporting to Africa and the Soviet Union and have since developed significant markets in the US and Europe. There are now over 8,000 manufacturers, concentrated in Delhi, Bombay and Madras.

Some companies have transferred production to neighbouring countries such as Nepal, Sri Lanka and Bangladesh. The EIU argues that quota restrictions are preventing them from competing freely in the international market. "India's apparel export industry," by Sri Ram Khanna, Textile Outlook International, EIU, PO Box 1DW, 40 Duke Street, London W1A 1DW, 260.

UK charter flights to Australia

By Chris Sherwell in Sydney

AUSTRALIA HAS given British Airways, part of the International Thomson travel group, the go-ahead to operate weekly charter flights "down under" during the forthcoming southern summer.

Britain's permit allows it to operate a weekly Boeing 787 service from the UK to Perth in Western Australia and Cairns in north Queensland, alternately, for 20 weeks starting in December.

The airline, one of the world's biggest charter operators, now flies to the Mediterranean, the Canary Islands, Scandinavia, the Middle East, West Africa and the Soviet Union. Australia will be its first

long-haul destination, and follows the Canberra Government's efforts to promote inbound tourism through charter operations.

Tickets will be available and on sale only in the UK. Up to 5,000 extra British visitors will result, most on package deals of several weeks' duration.

Capitalising on its decision, Canberra said yesterday its "very liberal position" on charter programmes stood "in marked contrast" to that of the British Government, which "is continuing to block expansion opportunities" for Qantas, the state-owned Australian international carrier.

This was a reference to a continuing dispute between

the two governments over air rights to Hong Kong. Qantas has long been seeking greater access to the British colony, and a chance to fly beyond it.

Negotiations have been going on for about two years, and are due to resume in October. Qantas currently operates a daily flight from the East Coast West and a weekly flight from Perth, eight per week in all.

Canberra wants Qantas to have the opportunity to fly Australian-origin passengers on to North Asia and Europe. It argues that Cathay Pacific, the Hong Kong carrier, is already offering this service to both Australian and European traffic, and that Qantas should have the same rights.

UK NEWS

Investors in UK Clowes fund may get 90p in £

By Richard Waters

INVESTORS IN THE UK arm of the collapsed Barlow Clowes investment management group could get back as much as 90p of every £1 they invested, it emerged at a creditors' meeting yesterday.

The news follows the scaling down of a £16m claim against the fund to £8m and the likely ending of an inland Revenue claim for back taxes worth several million pounds.

This emerged as Lord Young, Trade and Industry Secretary, deferred a decision on a lifeboat scheme for Barlow Clowes investors until the autumn publication of the report by Sir Godfrey Le Queuse, into the firm's collapse.

Mr Tony Blair, the Labour Party's spokesman on the City of London, had proposed the lifeboat to save investors seeking compensation from long court proceedings. Lord Young said, however, that he could not responsibly decide on the proposals until the Le Queuse report had been studied.

Mr Michael Jordan of Cork Gully, who was yesterday appointed joint liquidator of the UK fund, Barlow Clowes Gilt Managers, said he hoped that a "substantial" payment would be made to investors before Christmas.

He refused to be drawn on the amount of the payment. But if the legal complexities surrounding the case are sorted out by October, as lawyers acting for Cork Gully yesterday predicted, then the full amount could be paid out.

At the very least, investors can expect to receive about 50p in £1, assuming that claims against the fund have not been settled.

All investors will not receive the same amount, however. Some, who are unlucky enough to have had their money allocated to trust accounts from which money was diverted to Barlow Clowes International, the group's offshore fund, are likely to receive far less than others.

In all, there are 10 legally separate groups of BCGM investors and it is not yet

Bank sacks director after £2m inside deal

By Clive Wolman

AN ASSOCIATE director of County NatWest WoodMac, the securities subsidiary of National Westminster bank, has been sacked for carrying out deals in Grand Metropolitan shares worth £2m on the basis of inside information.

The transactions, which netted £100,000 profit for CNW, mark a serious and embarrassing breach of the "Chinese walls", which are supposed to segregate the different departments of the firm. The information was leaked from CNW's corporate finance department, which advises GrandMet, to Mr Russell Keen via CNW's broking arm. The conversation between the broker and Mr Keen, near Mr Keen's desk, is thought to have been picked up by a tape recorder.

Mr Keen bought about 400,000 shares in GrandMet at lunchtime on Monday, 20 minutes before the company announced that it was seeking a buyer for its Inter-Continental Hotels group at a minimum price of £1.5bn.

The GrandMet share price shot up from 49p to 52p on the announcement. Before Mr Keen's deal, CNW had been "short" of about 200,000 shares which would have caused it to suffer a £50,000 loss when the share price rose. Instead, it recorded with a profit on its holding of about £30,000.

Mr Keen bought the shares from three or four other, rival market-making firms, one of which subsequently complained to CNW. The transactions, which were well above the normal market size of about 100,000 shares, were also noted and pursued by the Stock Exchange's market surveillance devices - and the matter is still under investigation.

After the CNW management received and examined the complaints, it sacked Mr Keen and a junior assistant who was working with him.

National Westminster last night refused to disclose any details of the dismissals or the reasons behind it. However it is known to have been negotiating the payment of compensation to the other market-makers who sold the shares.

BANK OF ENGLAND QUARTERLY BULLETIN

Growth may spur inflation risks

By Ralph Atkins, Economics Staff

STRONG GROWTH could lead to higher inflation while the strength of the dollar may slow the reduction in world trade balances, the Bank of England says in its quarterly bulletin released yesterday.

It paints a picture of buoyant activity and growth rates exceeding expectations, but there are some signs of a slowdown.

Fast growth will lead to falls in unemployment and ease the job problem in developing countries, it says. However it may intensify other problems.

The Bank gives a warning that rising prices for non-oil commodities will add to inflationary pressures. This could be exacerbated by tight labour markets and high levels of capacity usage - particularly in North America and the UK.

The recent decline in the US trade deficit has been helpful and the last covered at a faster rate than before.

However, the fall could have encouraged over-optimistic expectations - leading to a higher level for the dollar.

	1986	1987	Q1	Q2	Q3	Q4	1988 Q1
US	2.8	3.4	4.0	5.0	4.5	5.1	
Japan	2.4	2.5	2.8	2.8	3.4	3.5	
FRG	2.5	1.7	-2.0	2.5	3.7		
UK	2.9	2.7					
France	2.2	2.3	2.2	4.5	3.5	3.2	
Italy	4.5	2.7	3.1	1.8	4.8	3.9	
Spain	2.7	3.0	3.3	4.1	7.2	6.5	
Canada	2.5	2.9	2.9	3.4	5.1	5.3	
Total	2.8	2.7	2.4	3.7	5.4	5.3	

This, it says, may slow the reduction in global imbalances that appears to be under way at the moment.

The Bank devotes a special section to the rise in commodity prices since the beginning of last year and the acceleration from the beginning of 1988. The fastest increases have been in metal prices.

Supply factors have contributed to this upswing, but the strength of industrial production and growing demand from newly-industrialising economies have become a more powerful influence.

Whether more expensive raw material costs feeds into consumer prices depends on the willingness and ability of companies to reduce profit margins. The Bank suggests the growth of profits and the counter-inflationary policies of industrialised countries may limit the extent to which commodity prices rise can be passed on to consumers.

The bulletin notes that the concern of Governments has shifted "from sustaining growth to restraining inflation." Monetary authorities in most major countries have adopted a more cautious policy stance, partly reverting the deliberate easing after October's world-wide stockmarket crashes.

It says: "These moves will contribute to the containment of inflationary pressures, and growth in the major overseas economies may be rather less rapid in the second half of the year."

The Bank believes the balance of payments prospects and debt-servicing capability of many heavily-indebted developing countries have improved. Contributing factors include the unexpected strength of activity in industrialised countries and the recovery of non-oil commodity prices after falls during most of the 1980s.

Quarterly Bulletin, August 1988, Economics Division, Bank of England, London EC2E 8AZ.

AIG raises stake in Kleinwort Benson

By Andrew Hill

AMERICAN International Group, a leading US insurance company, has increased its stake in Kleinwort Benson Group, the UK merchant banking business, to 6.08 per cent.

The US group said there was absolutely no possibility it would bid for Kleinwort.

Mr David Peake, Kleinwort's chairman, said yesterday he would begin to worry if anyone acquired more than 10 per cent of the bank, but added that Kleinwort was very happy to have AIG as a long-term shareholder.

"We expected they would increase their stake slightly. They may go a little bit higher, but we both understand the dangers of a stake getting out of proportion," he said.

AIG first acquired a 5.5 per cent holding in Kleinwort in May, saying it thought Kleinwort's shares were undervalued and that it had confidence in the group's management strategy.

Mr Nigel Webber of Pine Street Investments, AIG's UK subsidiary, said yesterday: "Nothing has changed. We were offered a substantial line of shares and we took it."

Pine Street bought 1m shares on AIG's behalf on Wednesday at a total cost of about £2.8m. Yesterday, Kleinwort's shares rose 5p to close at 98p.

Since 1987 AIG's chairman has been Mr Maurice "Bark" Greenberg, an abrasive New Yorker reputed to be one of the shrewdest operators in the property/casualty insurance business. The company has a large international presence and has recently taken to investing in British financial services companies, including unquoted start-up ventures.

Brake required on British economy

By Simon Holberton, Economics Staff

THE BRITISH economy needs to slow down if a more balanced rate of growth is to be achieved. At the same time there are worrying signs that inflation is picking up, the Bank says in its review of the UK economy.

The Bank is clearly more comfortable with the present mix of interest rates and exchange rates in Britain which it believes, on balance, is sufficient to damp down inflation and lead to the necessary slowing in demand.

But the bulletin underlines the Bank's belief that high interest rates and a strong pound are necessary for the process of adjustment.

There may be signs of a slowing in output, but the Bank points out that there is little indication that the rate of growth in domestic demand is moderating. Moreover, inflationary pressures in the UK have intensified in the past few months.

Problems with the accuracy of official statistics make judgments about a slowdown in output difficult, but the indications are that there has been some slowing relative to the high rates of output in the second half of 1987.

The Bank devotes a lot of time to the discussion of inflation. It explains the rise in retail prices inflation from its trough in February of a 3.8 per

cent annual rate to 4.6 per cent last year. It says a further rise in June as a consequence of Budget-induced price increases and higher costs for public utilities.

Its concerns are, however, longer term. Over the past quarter there has been a growing tendency for Britain to import inflation. World commodity prices have risen sharply and this may have a "significant upward effect on inflation in the coming months."

House prices continued to grow rapidly over the past three months and earnings are growing strongly, the Bank says. In the second quarter of this year house prices were rising at an annual rate of 22.2 per cent, compared with 12 per cent in the year to the second quarter of 1987.

Wage settlements in manufacturing also edged up over the period, averaging 6 per cent in the first quarter compared with 5.5 per cent in the fourth quarter of 1987.

The Bank says that the need to recruit or retain labour seems to have become an increasingly important influence in pay bargaining, while the health of company finances has allowed the wage bill to rise.

The Bank is, however, clearly concerned with the implications for productivity



been cyclical in nature. If it has been cyclical and should long-term trends it should begin to fall as the growth in output moderates.

It might also be expected, however, that producers would be alert to the consequences of such a deterioration and that their willingness to accede to wage demands would be influenced by it, so that unit labour costs would not feel the full impact. The Bank remains agnostic over the apparent recovery in the savings ratio. It believes the increase in the recorded savings ratio from 4% per cent in the last half of 1987 to around 6% per cent reflects mainly a sharp rise in company dividend payments "owed" by the life assurance and pension funds.

It sees little evidence of a recovery in the household savings ratio, although the recent rise in mortgage interest rates may contribute, over time, to an improvement in payments and bonuses.

Reflecting the growth in earnings, the growth in unit labour costs (wages and salaries per unit of output) rose by an annual rate of 6 per cent in the first quarter compared with 5.5 per cent in the fourth quarter of 1987.

The Bank believes that part of the rapid growth in productivity over the past year has

Second building society scraps change in status

By David Barchard

LEEDS PERMANENT, the sixth-largest UK building society, said yesterday that it had decided against seeking public limited company status in the immediate future.

This is the second time a leading building society has drawn back from converting to a mutual, where the group is owned by its depositors.

Halifax, the largest building society, two weeks ago shelved plans to convert in the near future.

Mr Mike Blackburn, Leeds' chief executive, said the decision followed a review of business strategy undertaken with Hambros, the merchant bank.

He said recent changes in the law governing mutual societies and the raising of the wholesale funding ceiling left the group with enough flexibility to meet its business aims.

However, Mr Blackburn added: "We don't want to shut off any option for the future."

Leeds Permanent and National Provincial are the only two societies still undecided about whether to shed mutual status.

Protection envisaged for overseas victims of fraud Crackdown planned on growth of cross-border fraud

By Clive Wolman

DRAFT LEGISLATION to permit the prosecution in the UK of fraudsters who set up operations in Britain to defraud victims abroad is being drawn up by the Law Commission, the Government's law reform body.

Criminals who send out invoices from London addresses to overseas businesses for entries in non-existent international telex and facsimile directories, and those who telephone overseas investors, particularly expatriate workers in the Gulf, to persuade them to invest in bogus commodity funds, are among the chief targets of the proposed legislation.

The move follows the publication last December of a consultation paper by the Law Commission's criminal law team which has yielded about 40 detailed comments from the police, lawyers, professors of law, and government departments including the Crown Prosecution Service. According to the Commission, all except three or four have been strongly in favour of the reforms outlined, although the

opponents include some government departments.

The original document said that the present rules, based on the common law, were narrow, technical and insular, and failed to take account of the introduction of electronic methods of communication and transferring money. Fraud is much more commonly committed across national boundaries than other offences.

The rapid growth of international financial markets in London and the reassurance given by the introduction of a City of London address has made sophisticated cross-border frauds controlled from London particularly attractive.

The document added that the inability of the UK authorities to take action against such fraudsters by in danger of arousing hostility from other countries which in turn may refuse to co-operate in tackling crimes against British victims.

In a case decided in 1985, a telex operator working for a Swiss bank in London illegally diverted a sum of £21 million from an account in New York to one

Trafalgar House wins £350m London redevelopment project

By Paul Cheseright, Property Correspondent

TRAFALGAR House Property, the commercial and residential property group, is to redevelop the Paddington Basin in London jointly with the British Waterways Board.

The project, which could be worth £350m at present values, will be one of the biggest property schemes in the West End of London since the Second World War.

The waterways board announced yesterday that Trafalgar House had been chosen as the developer in preference to Rosehaugh Stanhope Developments and Spayhawk Land and Estates.

Paddington Basin was the terminus of the Grand Union Canal in the 19th century. The 15-acre site next to Paddington station is linked to the canal system of Little Venice in north London and is flanked by the A40, one of the main routes into central London from the west.

The form of the joint venture has not been settled. Trafalgar House learned of its selection only yesterday morning. However, the waterways board will contribute the land and Trafalgar House will be responsible for finance.

The board has enhanced the land's value by obtaining outline planning consent from Westminster City Council. This permits construction of 497,000 sq ft of offices, 221,500 sq ft of offices, 188,500 sq ft of shops, 107,500 sq ft of industrial space and 28,000 sq ft of leisure space, including a cinema and boating facilities.

Since May 1987, when consent was granted, talks have taken place between the board and the city council to refine the nature of redevelopment. These talks will continue with Trafalgar House participating, and it is expected that the scheme's shape could change substantially during the next two years.

It will take that long before Trafalgar House has vacant possession of the site. It currently houses a number of warehousing and distribution operations.

The development will take about five years, angesting the project will not be completed until 1993.

The project is critical to the city council, which in its latest planning proposals has designated the basin a priority area for economic development.

It is also the biggest property scheme in which the waterways board has become involved. In recent years the board has sought to exploit the 300 acres of land surplus to operational needs that it possesses.

The joint venture it is establishing for Paddington Basin follows the pattern established for smaller projects in Gloucester, Bristol, Milton Keynes, Sheffield and at the Limehouse Basin in London. In each case an alliance has been made with private developers.

Although commercial property development was at the base of Trafalgar House's growth in the 1980s, it shifted strongly to residential development in the early 1980s.

Steel output rises 12% on strong home demand

By Kevin Brown

BRITISH steel industry production rose by 11.9 per cent in the first seven months of this year to an average of 867,500 tonnes a week. The rise, reflected continuing buoyant UK demand.

Production rose more sharply in July, when output was 14 per cent up on the comparable month of 1987, at an average of 319,700 tonnes a week.

The figures, issued jointly by the state-owned British Steel Corporation and the British Independent Steel Producers' Association, embrace the whole UK steel industry.

The continuing rise in demand indicates that BSC, which reported profits of £410m for the year to April, is set for a further increase in profits in the current year.

BSC produces about three-quarters of UK steel and is believed to be keeping its market share. The corporation produced 14.7m tonnes of steel during its last financial year.

The Government is expected to privatise BSC in November.

Scottish manufacturing exports post recovery

By James Buxton, Scottish Correspondent

SCOTLAND'S exports of manufactured goods grew faster than those of the UK as a whole in 1987 and recovered from their 1986 decline.

According to a survey conducted by the Scottish Council Development and Industry which promotes Scottish industry, Scotland exported goods worth \$2,025m in 1987, a 15 per cent increase in real terms on 1986. It accounted for 9.1 per cent of the UK's manufactured exports, the value of which grew in 1987 by 7.4 per cent in real terms.

In 1986 Scottish exports fell by 11 per cent on 1985 in real terms, against a fall for the UK as a whole of 2.9 per cent.

Scotland's biggest export category was office equipment and data-processing machinery, worth £1,620m (21.2% in 1986). Next came food, drink and tobacco, which includes whisky, worth £1,250m (15.6% in 1986). Third was chemicals at £700m (8.8% in 1986).

The largest single market for Scottish manufactured goods was the US.

Industry recovers appetite for spending

GOVERNMENT says so. The Confederation of British Industry says so. City of London analysts say so. The UK's production industries are going through a mini investment boom.

Evidence has come thick and fast that the historic weakness of British companies in spending has been overturned. The CBI's trends survey last month showed that more companies were predicting increased expenditure on new production plant, imports or capital goods rose by more than 10 per cent in 1987 and appear to be rising this year at an even faster rate, according to the latest trade figures.

Many types of equipment suppliers are enjoying healthier orders from UK customers than for many years. Along with this upbeat assessment, however, has come a welter of other statistics and reports, largely unreported, which paint an altogether grimmer picture.

Sales of machine tools, a main indicator of shopfloor investment, slumped in Britain last year by almost 10 per cent in sterling value. The UK was the only European country with the exception of Switzerland that recorded a drop.

Machine tool sales in Italy were 80 per cent higher by value than those in Britain and France also spent more. West Germany was as usual in an altogether higher league.

In the past two months reports from Frost and Sullivan, the US market research company, showed that the market in France for auto-

matched handling equipment in factories was now double that of the UK. Sales of high-cost tools and equipment were also outstripping those in Britain, though still way behind Germany.

Figures from associations representing makers of production robots indicate that two thirds of France pushed the UK into third place in the consumption of these machines within Europe. West Germany has three times the number of robots than Britain although measured in per capita consumption, Sweden is way out in front.

At the same time, a recent investigation by Manchester University into the installation of modern shopfloor production equipment in Japanese, West German and British factories made scathing attack on UK practice.

Although it used a very small number of examples, the report confirmed the view of observers regularly visiting factories around the world. This was that, compared with many of its main competitors, new equipment in Britain was installed in older, more cramped and less well planned facilities.

These apparently conflicting sets of information underline the importance of looking not just at the UK but at what competitor nations are doing. However, two further conclusions are emerging.

The first is that the thrust of expenditure on new production kit over the past three years or so has been overwhelmingly in processing-related industries, from plants making paper to

chemicals, food and drink production.

The second is that although engineering-type manufacturing is now taking part in this year's investment surge, it has come desperately late.

After a jump in capital spending from around 1982, investment in engineering went into a mini-recession. In the three years up to the start of 1988, investment overall among the 50,000 factories engaged in metal-related manufacturing, from aerospace components and computer production to heavy mechanical engineering, has been relatively weak. In terms of closing the technology gap with West Germany the past few years have been little short of disastrous.

An analysis by the Engineering Employers Federation, using Government figures, shows steep investment growth in the process industries over the past three years or so. This looks set to continue with the Chemical Industries Association, for example, predicting a 19 per cent jump in expenditure this year.

The same analysis by the federation, however, shows downward investment between

1985 and last year in electrical and instrument engineering, mechanical engineering and transport equipment.

That is why UK consumption of many types of production machinery that goes into non-process manufacturing shops still looks so poor compared with some other European countries.

It is also why some of the biggest manufacturing systems houses have been switching their emphasis from engineering manufacturing to process industries.

"We are orientating our effort more towards processing industries because of that investment trend," says Mr Jerry Sayers, industrial group manager for Logica, the UK computer consultant and systems integrator. "We still do a lot of work in engineering, but there appears to be a lot more commitment in process industries towards systems automation and integrating information."

The increase in capital equipment imports over the past two years is almost certainly so large partly because of the appetite of processing-type industries. Average yearly capital investment in the paper, printing and publishing industry for example for the three years between 1985 and 1987 was more than 60 per cent higher than between 1980-83.

The import figure might also give an artificially high impression of overall capital spending in the UK if some of it was substituting the supply of equipment from weaker domestic equipment makers.

Investment problems in UK engineering can be exaggerated. Italy's machine tool consumption (£1.1bn in 1987) is partly accounted for by artificially inflated costs of a one-year tax benefit rule on capital allowances offered by the Italian Government.

Some of the differences in the size of market for equipment is partly accounted for in France and Germany by their larger vehicle industries which are big consumers of machines such as robots.

There have also been some positive moves in favour of the UK. According to figures from the British Robot Association and from the Financial Times Business Information newsletter "Automated Factory", UK industry installed 620 robots last year, a big jump on the 475 in 1986. Meanwhile, the installation of robots fell by 20 per cent in West Germany in 1987.

But those figures actually underline the UK's difficulties. West Germany still installed 1,500 robots last year despite the drop. The UK installation figure was actually below the levels of 1984.

British engineering factories are now engaged in a reinvestment programme. However, a spokesman for the engineering federation said this week that high interest rates threatened the recent investment surge.

"We are concerned that investment levels have been low. Rising interest rates might tend to stifle the current rate of investment before it has run its course." Some might say that it is largely in the hands of the Federation's own members to see that it does not.

JPK 6/1/88

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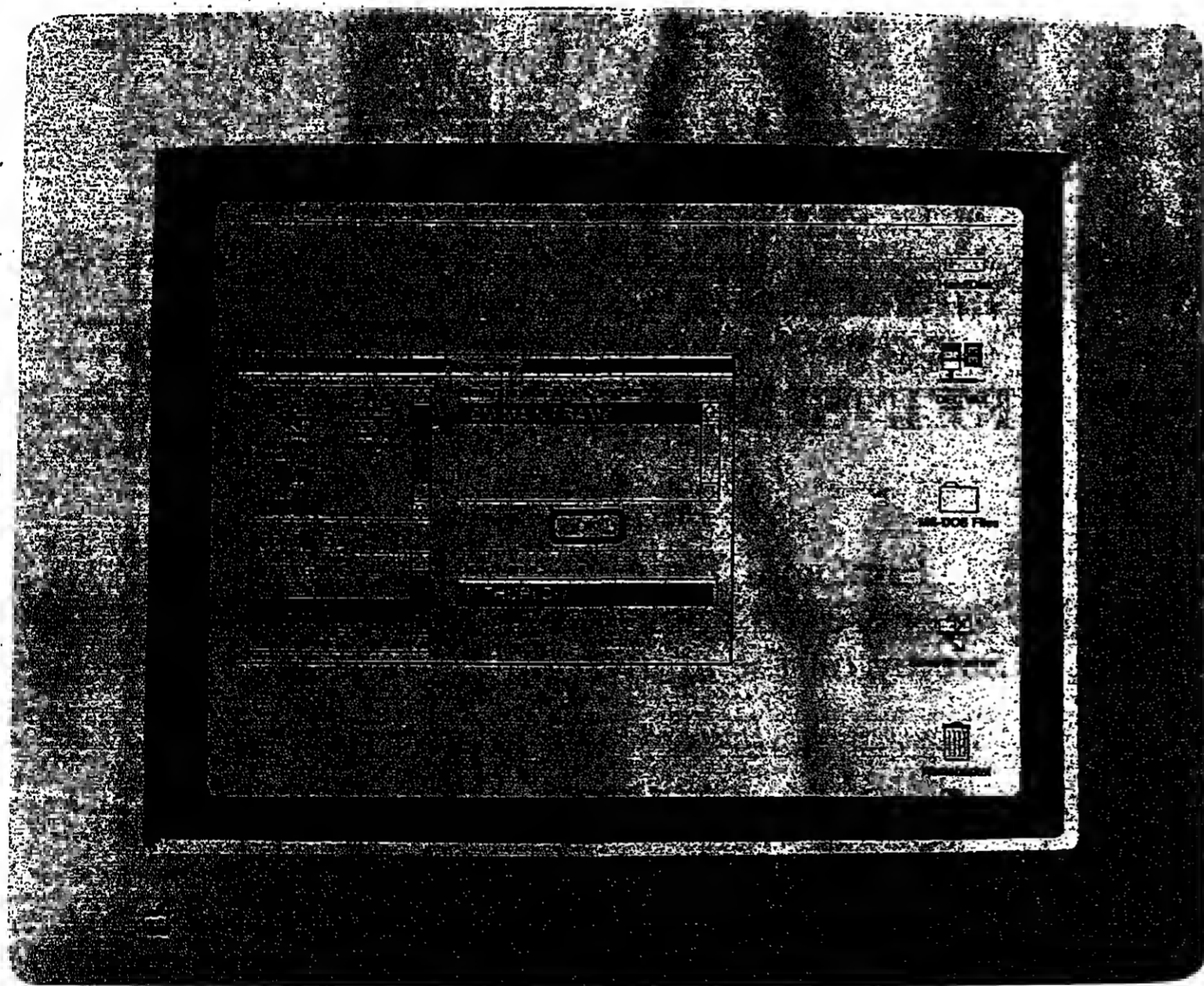
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THE PROPERTY MARKET

A developer's development

By Paul Cheeseright

ST MODWEN Properties made its early developments in Burton upon Trent and so adopted the name of the patron saint of brewing. Now it is riding the regional property boom, although that would be difficult to guess after a first look at the share price.

Like other developers, its share price was savaged after the equity market crash of last October and this week has been standing at around 38p, or about half of that of the heady days of last year.

But those numbers tell only half the tale. That 38p is at a substantial premium to the historic net asset value per share of 20.5p and puts the company on a price-earnings ratio of 17.3p. So it could be argued that the price looks pretty expensive.

In a market concerned above all with assets rather than earnings, "the stock technically doesn't look cheap - it is difficult to piece together a buying story for it," commented Alan Carter of Chase Manhattan Securities, although, as he put it, the company is "a tidy little vehicle."

Therein lies one of the problems. With a market capitalisation of around £50m, St Modwen is just another developer of relatively modest size whose

share price was pushed high last year but now does not have a high market profile.

"The share price has always looked a bit ahead," said Nick Hunter Jones of Banque Paribas Capital Markets, adding that St Modwen "is as successful as most developers of its type, if not more so."

Its underlying strength now is that it is in the right place at the right time. Over the last two years, confidence has seeped back into the Midlands, Manchester and South West where it is strongly represented. "We're doing the same things as we planned 18 months ago, but we are looking at them more bullishly," said Mr Stan Clarke, the chairman.

The rise in the market, he noted, "has increased our readiness to speculate building rather than pre-let them." This has happened in Manchester and Nottingham. It is happening at the Festival Park site in Stoke-on-Trent, the subject of the accompanying article.

And the strength of the Manchester economy combined with changes in the Use Classes Order, eroding the differences between light industrial and office space, has had a marked effect on cost appraisals for new ventures.

St Modwen and the Manches-

ter City Council announced earlier this month a joint venture to build 300,000 square feet of low rise offices on 20 acres near Manchester airport. Eighteen months ago, explained Mr Clarke, this park was seen as an up-market industrial development where rents, bullishly, could be projected at £3.00-£3.50 a square foot. Now the rents for a venture which has shifted its emphasis towards offices are projected at £2.00-£2.50.

All of this suits the developers like St Modwen very well, but stressed Anthony Glossop, the managing director, talking in the company's Birmingham offices, "We were making money here when the City was thinking the West Midlands didn't exist." The company and its predecessor were plugging away with industrial property developments - 2m square feet were let between 1979 and 1984. "We didn't have a vision that the sunshine is coming, so let's charge."

None the less, there has been a substantial extension of activity since, in early 1988 when there were the first mergers of a revival in some of the regional property markets, Mr Clarke reversed some of his private interests into the quoted Redman Heenan and St Modwen Properties emerged.

"If I took six months to sort out

where the company wanted to go and how it might get there, an office in the South West was closed and a decision was made to concentrate activities on three offices, in Birmingham, London and Manchester.

It was decided to add retail property to a predominantly industrial base. With the change in the Use Classes Order, the office element was relatively easy to add to the industrial.

St Modwen, of course, was following an industry trend when it moved into retail. Here, after all, was the area which had shown the most consistent growth. It was, as Mr Clarke conceded, "the glamour side of the market." But there is retail and retail.

The St Modwen approach has been to look for town centre schemes, rather than the redevelopment of the odd shop here and there, and to confine its development bids to towns where it had an edge over competitors.

The Octagon Centre in Burton upon Trent came about because the town is in the company's backyard: it could see the market need and could assemble the site. The bid for a new centre in Plymouth is based on ownership of a key freehold site and an alliance with Prudential, a major lease-

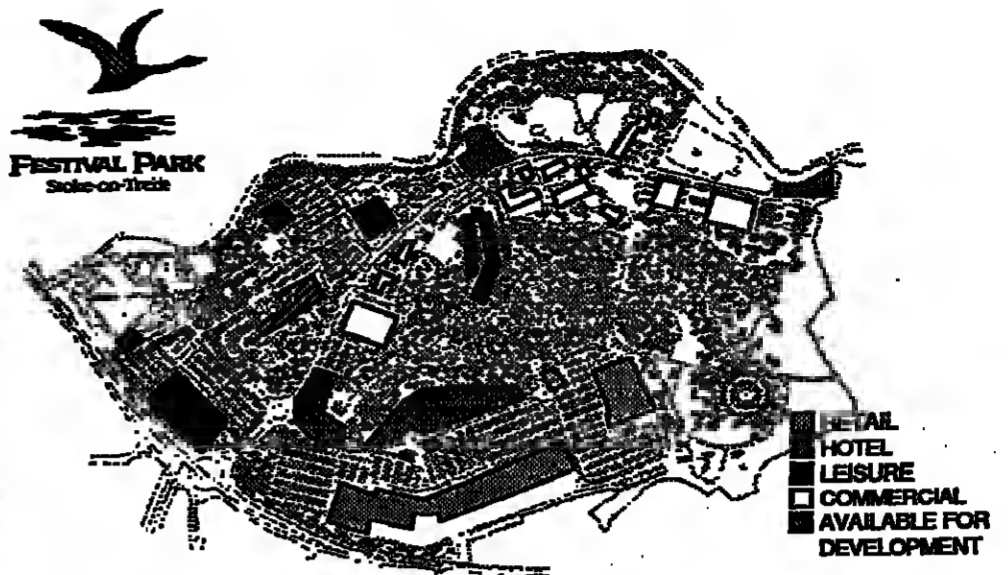
holder. Winning approval from the Newcastle-under-Lyme council for a scheme came about because the company knew the local political pressure points.

But the company tries to keep pressure off the bigger developments like these by having a two-tier programme. The regional managers are steadily developing schemes with a value of £1m to £2m. These schemes, said Mr Glossop, give profit when the cash-flow and a continual presence in the marketplace.

Underpinning the ability to do all these schemes and to act quickly where there is the possibility of a land acquisition is the existence of a rent roll. This covers interest charges and business running costs. At the same time it provides some asset backing for the share price and, said Mr Glossop, "if I sell something I have to replace it."

When St Modwen came to the market in 1988, it was overvalued at around 100 per cent, Mr Glossop said.

But since then both the rent roll and the development programme have increased - the latter from £25m to £300m - and gearing this year will fluctuate between 25 and 40 per cent.



FESTIVAL Park, Stoke on Trent, is the £100m jewel in the St Modwen development crown. Formerly the site of a garden festival funded by the Government to clear derelict steelworks land, the development contract for the 175 acres was won in competition from London and Edinburgh Trust and Cameron Hall Developments.

Although the results of the competition held by the Stoke City Council were known last year, contracts were not signed until last February.

Most of the gardens, currently being maintained by the Stoke parks department but paid for by St Modwen, will remain intact, a rolling backdrop for 700,000 square feet of

commercial, leisure and retail space.

The way in which St Modwen has attacked the development gives a clue to its financing style. It has sought to minimise its risks by a mixture of pre-lets and pre-sales. Cash has come in, or is arriving, from the sale to Bank Leasure of 25.5 acres for a leisure centre, and of the leasehold for the hotel with a so far unnamed operator. This cash can be turned round into the development.

At the same time, the retail warehouse units which have Toys 'R' Us and Wm Morrison Supermarkets on the flanks, have been pre-let. A short-term financial package will be put in place to cover

this part of the development, but St Modwen has agreed in principle to sell it on.

St Modwen's exposure has thus been confined to the industrial and commercial elements of the scheme. Construction has started on the first phases. Four office units totalling 11,000 sq ft will be completed in June 1989. While there was little interest in the offices at first, over the last five weeks inquiries have been made which have led to two companies indicating that, in principle, they are prepared to take space.

Some housing could be constructed on land held back for future development and that would strengthen St Modwen's cash flow.

THE ENTREPRENEURS

ART: FRANK LANGFORD

BUY-IN

WHEN 45-YEAR-OLD RICHARD ASTON'S MIND OF BECHAM'S WINDMILL LOST OUT TO A BID FROM CITICORP VENTURE CAPITAL SAID "FIND ANOTHER GOOD OPERATION AND WE'LL FIND THE CASH."

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Company Notices

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TABLE used for the calculation of the coupon maturing on 10th February 1989 is 0.20% and the net consolidated income taken into account for the floating portion of the participation is FF 2,712,000,000 after inflation adjustment on the fiscal profit of the subsidiaries operating in the Latin American Countries. Coupon so calculated produces an annual interest rate of 10%. As the applicable Liber ECU is 7.5000%, resulting in a minimum coupon of 0.03125%, i.e., the first formula is applicable. Therefore, the applicable coupon payable on 10th February 1989 will be ECU 50 per five participations of ECU 1,000.

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TECHNOLOGY

Clive Cookson takes a look at a car which has sophisticated entertainment and business systems built in

Filled to the trim with electronics



Ultra-film gas discharge headlights on the car of the future



A control rotary keypad controls all the entertainment and information systems in the car

Imagine a wealthy executive who wants to pack his - or her - car with the latest entertainment, information and communication systems. He buys the most sophisticated radio; cassette and compact disc players, including CD video; a dozen loudspeakers to give perfect sound balance; two miniature televisions with headphones for the passenger; two mobile telephones (one with a hands-free set for the driver); a facsimile machine; a powerful personal computer; and a prototype navigation system to guide him by the quickest route to his destination.

But how does he fit it all into his car? Even the latest models on sale today would not be able to accommodate everything within the interior fittings. He would either have to clutter the car with equipment or spend tens of thousands of pounds having the interior redesigned and rebuilt.

The most ambitious attempt to solve the problem of packing consumer and business electronics into a car is the new Royale, a 2.7 litre executive saloon built by International Automotive Design of the UK and Philips of the Netherlands. IAD, which claims to be

Europe's largest vehicle design consultancy, did the overall styling while the electronics were provided by Philips subsidiaries in several countries.

The Royale is a fully engineered working prototype, based on a flat-six engine and mechanical components from the Japanese Subaru Alcyon. However it is a "concept car" rather than the forerunner of a specific model. (Automotive manufacturers and designers build concept cars to show off their skills and ideas; the innovations often appear in production models a few years later.)

According to Rod Morement of Philips's consumer electronics division, the main purpose of the Royale is to show car manufacturers how well information and entertainment systems can be integrated into a vehicle, if the equipment manufacturers are involved in the design process from the very start. He says that car companies are only gradually realising the need to provide sufficient space for audio systems; too often they just put a 7in by 2in hole in the dashboard for a radio/cassette player and fail to leave room for good loudspeakers.

The Royale contains all the items mentioned at the beginning of this article, and more.

Most of them are based on Philips products - in some cases redesigned for the Royale. The only feature that is in any sense futuristic is the Carlin navigation system. This combines a digital map, loaded into the car's CD player, with an electronic compass and wheel sensors to give the driver route instructions via synthesised speech and simple diagrams on a dashboard liquid crystal display (LCD) screen. The full Carlin system will not be available until 1990.

The most striking features of the Royale's interior design are the two "rotary keypads" on the central console - one for the driver and front passenger and the other for people in the back. They replace the mass of traditional knobs and switches which would otherwise have been needed to control the electronic equipment.

The car contains 13 separate loudspeakers. The front and rear compartments each have six speakers (two for low notes, two for the middle range and two for high frequencies). In addition there is a "bass actuator" mounted on the floor, which uses the car body to improve the reproduction of very low notes. Philips sees the

speaker system as a particularly good example of the "co-design" philosophy which it is trying to promote: the Royale's interior panels were designed not only to look good but also to optimise the sound quality.

The speakers are powered and controlled by a combination of amplifiers, cross-over filters and graphic equalisers inside the car body. The control system can even compensate for the fact that the acoustic characteristics of the interior change according to the number of passengers.

For the rear passengers, two LCD colour televisions, made in Japan by Marantz (a Philips associate company), are built into the back of the front seats. Morement says the miniature LCD screens are suitable for cars because they are much flatter than traditional cathode ray displays and less vulnerable to vibration. The disadvantage is that they can only work within a limited range of temperatures. However Philips researchers expect soon to extend the LCD operating range to cover any conceivable conditions, from Saharan summer to Siberian winter.

In case anyone wants to turn from entertainment to work, there is an IBM-compatible lap-

top computer based on the Philips NMS 8100, which is fitted into the back of the front passenger seat. The computer's disc drive is accessible to the rear passenger but its main processing and power units are hidden inside the car body. A built-in Datacom interface makes it possible to transmit information from the computer back to the office via the car telephone, and there is also a facsimile machine built into the rear seat.

The most striking exterior feature of the Royale is the sleek front with its ultra-film headlights. These use experimental gas discharge lamps, developed by Philips, which give out four times as much light as a conventional incandescent lamp of the same power.

Anyone who wants a glimpse into the future of car entertainment will be able to see the Royale in October at the British International Motor Show in Birmingham. Similar cars may become commercially available in about five years' time. The cost will, of course, depend on the volume of production, but Les Lawrence of IAD warns that early models are likely to be in the £30,000 to £50,000 range.

Renewed hopes for research in space

DIFFICULTIES with the US space programme following the Challenger accident 2½ years ago has not deterred companies from pursuing space-based research.

That is the view of James Rose, head of the commercial space office at the US National Aeronautics and Space Administration (Nasa). Rose was previously in charge of an ambitious effort by McDonnell Douglas, the US aerospace company, to start a space-based venture in manufacturing pharmaceuticals.

Despite McDonnell Douglas's withdrawal from the project - the company said it could not wait for flights of the space shuttle fleet to restart - Rose says there is plenty of support from other commercial organisations for such ideas such as low-gravity materials processing.

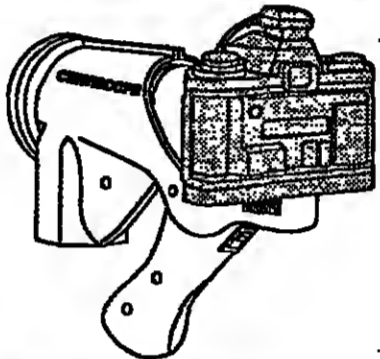
He says that 118 companies are supporting terrestrial research programmes that could eventually result in studies in orbiting spacecraft. The disciplines include crystals growth and remote sensing of the earth.

Rose, who headed an 11-year McDonnell Douglas project in low-gravity work which ended last year, is more optimistic now that the hiatus in space shuttle flights is due to come to an end. Discovery is expected to lift off from Cape Canaveral in September or October following a successful test of the craft's engines this week.

The suspension of missions has not interfered with an underlying appreciation of the possibilities of space flight, says Rose. "It has given companies time to think about what can be done."

Many of the organisations interested in space-based research come from the chemical and pharmaceutical industries. Du Pont, Wellcome, Upjohn, Merck, Procter and Gamble and Dow are among those involved with a series of Nasa-supported research centres around the US.

Studies are being conducted into areas such as low-gravity purification of materials which could be useful as drugs. Eventually such work could be transferred to space flight.



The cervicoscope supplied by NTL

A sharper focus on cervical cancer

Cervical cancer still kills more than 2,000 women in Britain every year and is on the increase, particularly among younger ones. Yet, if diagnosed early, it is virtually 100 per cent curable.

Doctors agree that the best offensive against the disease is regular and efficient screening, which should also be cost-effective. Yet questions are increasingly being asked about the efficacy of the most common cervical smear tests.

Latest developments such as cervicography, a photographic technique recently imported from the US, are still not widely available, and many doctors feel that greater investment at a lower level, such as in improving the pay and working conditions of the laboratory staff who check smear slides, would have a more immediate effect.

The UK Government recommends that sexually active women over the age of 30 have a cervical smear every three years - an interval deemed too long by some gynaecologists. The usual test involves a sample of cells, taken by wiping a spatula across the cervix, being sent off for laboratory analysis.

Women whose samples exhibit abnormal, possibly pre-cancerous, changes are then referred for colposcopy, a rather uncomfortable process

during which the cervix is more closely examined through a binocular-like instrument.

One of the more worrying problems of this procedure is that traditional smears are recognised as being a far from satisfactory indicator of the degree of abnormality - categorised in three grades from the mildest, CIN 1; to the most severe, CIN 3. Inconcretely taken or inaccurately read smears also mean a fairly high false-negative rate with many women, who have developed abnormalities being given the all clear. By the time they return a few years later, the next stage, microinvasive carcinoma, may have set in. In recent US tests, the detection rate of conventional smears was shown to be as low as 50 per cent.

Cervicography has been cautiously welcomed as a step towards improving detection rates. It was developed by Dr Adolf Staff, a pioneer in colposcopy at the Medical College of Wisconsin, as early as 1961 but has only been available in this country recently.

Using a cervicoscope, a specially designed, easy to handle camera

with a telephoto lens and a powerful light head, a doctor or nurse practitioner takes a snapshot of the cervix during a standard pelvic examination. The cervix is swabbed with 5 per cent acetic acid to make abnormal areas stain white and this may be repeated using iodine.

The process takes only a couple of minutes and women co-operating in hospital trials reported a much lower degree of physical and emotional distress than usually experienced during a smear test or a colposcopic examination.

The resulting photograph, called a cervigram, provides a magnification of the whole cervix, and not just of a small cell sample, thus enabling a far more accurate assessment of any potential abnormalities than is available using conventional cytology.

Cervicography is quite common in the US, according to NTL Processing UK, which supplies the cervicography equipment from National Testing Laboratories of St Louis in the US, leasing out cameras for around £2,000.

However, it is only available in this country at a few private clinics

and some larger hospitals, including the Royal Northern in London and the John Radcliffe in Oxford, which are conducting trials. The Department of Health is still awaiting more conclusive evidence from these experiments before deciding whether to introduce cervicography on a wider scale.

Marie Stopes Clinic, a registered charity offering women's health care services, is among the few centres offering cervicography to any woman. Dr Anne Szarewski, at Marie Stopes, recommends that a smear is done at the same time as a cervigram is taken. She stresses the importance of taking cells from the cervical canal where the first changes usually occur. This is done with an endocervical brush - a simple instrument rather like a pipe-cleaner. It costs only a few pence, but is not yet freely available to family planning clinics and general practitioners.

Although cervicography has proved useful and cost-effective in streamlining the screening process, it does have a relatively high incidence of false alarms which can

cause unnecessary emotional trauma. This is because the cervigram evaluator will usually err on the side of caution. Just as in traditional cytology, the success of cervicography relies on the subjective judgment of the individual assessor, which can never be 100 per cent correct.

Research is under way into perfecting a quantitative method of evaluating cervical smears. A team at the Middlesex Hospital in London, under Dr Andrew Sincoc, has had up to 85 per cent success in preliminary clinical trials of a new test which works by analysing the DNA of a cell nucleus by measuring the amount of light which passes through it.

Although still at an early stage, the technique has been shown greatly to speed up the assessment process, allowing hundreds of slides to be processed daily against the 20 to 30 managed now. It also appears to permit the detection of abnormalities at a much earlier stage, often years before a conventional test.

But in January the Department of Health halted the funds necessary

for a wider trial and the work has been rained back to a minimal level, dependent on funding from a small charity, Quest for a Test for Cancer.

"With any kind of screening process, the search is always akin to looking for a needle in haystack. But what is clear is that what we need now is a renewed and more valid approach to cervical screening, at least until current research manages to come up with a more sensitive test than the ones on offer," says Sincoc.

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Excluding 1920's Art Deco Building

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Upper New York State
Only 15 miles from Canadian border in the scenic thousand islands area of St Lawrence river. Priced to sell at just \$1250 per acre (SUS500FIRM).

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ORLANDO, FL APARTMENTS FOR SALE
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360 garden apartment units in rapidly expanding Southwest quadrant of Orlando. Recently completed with full amenity package & lifestyle orientation. Close to jobs, shopping, CBD, airport & Disney World. Also available contiguous ground for additional 441 units. Brokers participation invited.

For further information and sales package contact: Richard R. Carroll at 215-834-1970
Mid-Atlantic Communities Corporation

Public Notices

IN THE MATTER OF
LION METALS CORPORATION LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE is hereby given that the creditors of the above named Company, which is being voluntarily wound up, are required, on or before the 30th day of September 1988 to send in their full Claims and Surrender, with addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any) to the undersigned Philip Anthony Barnett of 24 Duchesse Road, Edgbaston, Birmingham the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 2nd day of August 1988.
Philip Anthony Barnett Liquidator

Company Notices

Notice to the Holders of the Issue 8 1/4 % 1977-1987 of \$US 100,000,000 made by the EUROPEAN COAL AND STEEL COMMUNITY

The Commission of the European Communities announces that the final instalment of Notes amounting to \$US 2,500,000 has been purchased for redemption on October 1st, 1988.

Amount outstanding on and after October 1st, 1988: \$US 92,600,000.

LIEXENBOURG, August 12, 1988

Clubs

EVE has invited the others because of a policy on fair play and value for money. Supper from 10.30 am. Disco and top musicians. Glasses house. See evening brochures. 120, Regent St. D1-72 6077.

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Major Hospital Complex with original stone built listed Victorian buildings and modern extensions. Over 400,000 sq. ft. on a site of 57 acres including superb sports facilities. Additional land available. Suit many institutional, educational and medical uses. Potential for residential development.

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Single Storey Industrial Building with First Floor Offices
Sq. 15,034 Ft. Approx.
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Arts Week

F | S | Su | M | Tu | W | Th
12 | 13 | 14 | 15 | 16 | 17 | 18

MUSIC

London

Ullster Orchestra, conducted by Vernon Handley, with Ernst Kovacic (violin), Elzer, Silvestri and Gerald Barry first performance, Royal Albert Hall (Mon, 8.59.52).

City of London Sinfonia, conducted by Richard Hickox, Royal Albert Hall (Mon, 8.59.52).

Wendell, Britten, Bridge, Michael Berkeley, Foulkes and Bizet, Royal Albert Hall (Tue).

BBC Symphony Orchestra and Chorus and Singers, conducted by Peter Eotvos, with Sarah Leonard (soprano) and Pi-Hsien Chen (tenor), Guildhall, Carter, Stravinsky and Franco Donatoni, Royal Albert Hall (Wed).

Wendell, Britten, Bridge, Michael Berkeley, Foulkes and Bizet, Royal Albert Hall (Thu).

John Eliot Gardiner, Bach St. Matthew Passion, Royal Albert Hall (Thu).

Tokyo

Tokyo Symphony Orchestra, conducted by Ken-ichiro Kobayashi, Meiji Shrine, Bunkyo, Dvornik, Symphony Hall (Wed, 8.52.67).

OPERA AND BALLET

London

Muscov Classical Ballet in a short season with a new Swan Lake, at the Business Design Centre, Islington.

Verona

Arena Di Verona, Zorba the Greek, a ballet by Lora Mascione to Tchaikovsky, conducted by the composer; Also: Aida, with Grace Bumbaly as Amneris, Turandot with Ghena Dimitrova alternating with Eva Marton, and Ponce's La Gioconda, with Emma Baglioni and Giovanna Casola. (8.55.17).

New York

New York City Opera (State Theatre, Lincoln Center). The week features Lotfi Mansouri's new production of Il Barbiere di Siviglia, conducted by Sergio Comissini, and the season's new production of Rigoletto, conducted by Elio Boncompagni and directed by Tino Cappalano. (8.55.00).

Lincoln Center Out-of-Doors Festival. Free performances in the plaza and Damrosch Park this week feature Yoshiko Chuma and the School of Hard Knocks, a dance, music and performance art piece (Tue 8pm); Fresh Stuff (Wed 8pm); and Yare and Le Baton Magique from Paris (Thurs 8pm). (8.77.2011).

Washington

Wolf Trap Festival. Wolf Trap Opera Company, using Maurice Sendak's whimsical sets from Gynephobia, perform The Love of Three Oranges (Thu), (8.52.00).

Tokyo

Chang Ma Dances Company from South Korea, Sunshine Theatre, Ikebukuro (The-Thur), (8.57.4369).

Teshigahara Saburo (avant garde dancer). Outdoor Theatre, Itochukuro (Tue, Wed), (8.57.4369).

Rudolf Nureyev and dancers from the Paris Opera Ballet, Rosemeikin Hall (Tue-Fri), (8.59.4569).

EXHIBITIONS

London

The Royal Academy, *Cézanne - The Early Years 1859-72*. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century and one of the seminal figures of the modern movement. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as has been generally supposed, is now revealed in all its complexity and contradictory quality. Ends August 21.

Paris

Centre Georges Pompidou, *The Piffes*, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Piffes is represented by cars, cinema, music, cinema, literature, industrial creation and - on the fifth floor - by visual arts. The great figures of the 19th and 20th centuries are shown in black and white monochrome by Yves Klein and Hans Haacke. While contrasting the School of Paris with the School of New York, the exhibition equally draws attention to some of their parallel developments. (82.77.12.25). Closed Tue. Ends Oct 15.

Italy

Venice, Palazzo Grassi. *The Phoenix*. The fourth major exhibition at Pirella Göttsche's art centre on the Grand Canal attempts to give a complete picture of this extraordinary artist, who dominated the trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gio Aulenti. Serpentine project at odd angles from a pile of brick and on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenix. Many of the 1,200 objects displayed are made of gold, silver, bronze and ivory) are extraordinarily beautiful and the 700 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Netherlands

Amsterdam, Tropenmuseum. *The Arts and Crafts of Indonesia*. Illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2,000 years.

THEATRE

London

Too Clever By Half (Old Vic). A farcical Gogolian production by Richard Jones of Ostrovsky's *Diary of a Scoundrel* in an old Etonian Ackland version, with remarkable Expressionist costumes by Richard Hudson and a brilliant central performance by newcomer Alex Jennings. Until August 15. (829 915, credit card bookings 261 1821).

Easy Virtue (Garrick). Transfer of Noel Coward's 1929 play, which is visually stunning and choreographically felicitous. (829 8369).

Amadeus (Lyric). The longest-running musical in the US has not only supported Joseph Papp's Public Theatre for eight years but also updated the original plot with its backstage story in which the songs are used as quotations rather than end-stops. (235 8200).

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ARTS

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West Germany

Cologne, Romisch-Germanisches Museum. *Caesar's Glass*. This exhibition is the most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the sixth century AD. The 100 pieces are mainly goods from everyday life. The show is a joint project between the Corning Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum to Cologne. Until August 25.

Munich, Haus der Kunst. 60 Prize-winners. An important exhibition, centred on the city of Munich, which provides a broad view of the West German cultural scene. There are about 640 works - paintings, graphics and plastics - by 470 different artists, including over 100 women. Two 20-25 works by the Austrian painter and sculptor, Alfred Hrdlicka, form the highlight of the show. The exhibition is organised by three groups of artists. Ends Sept 11.

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Renovators

from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude, Van Gogh, too, is well represented with his famous sunflower landscape with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picasso and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Rembrandt's appealing nude or Degas' ballet dancers. (23978). Ends Nov 6.

New York

American Craft Museum. An exhibition traces the history of American architecture back to the turn of the century, and emphasises the work of artists like Tiffany, Lawrence and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis for the book. The exhibition sequence of 23 watercolours from the *Tailor of Gloucester*, lent by London's Tate Gallery. Ends Aug 21.

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Chicago

Art Institute. Photographs by Josef Sudak. Using his native Prague as the background, this avant-garde photographer, who died in 1976, captured the lyrical quality of the Czech people and the country's beautiful landscapes. Ends Sept 4.

Art Institute. More than 80 Dutch and Flemish 17th century masterpieces. This is no classic, with forgettable songs and leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit. (947 0033).

M. Butterfly (Eggar). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy. (245 0200).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exasperations of American language to Hollywood, in this screamingly funny and well-plotted expose of the film industry. (239 8200).

Scavage (New York Public). Angina Ronx performs two decades of Kurt Weill's songs in a one-woman show covering his time in Berlin, Paris and New York. (596-7100).

pieces from the Hermitage in Leningrad, including works by Rembrandt, Rubens, van Dyck and Frans Hals, lack off a collaborative effort by US and Soviet museums. Ends Sept 18.

Tokyo

Tokyo Museum, *Magnum Masterworks* from Europe. Japanese collectors, both public and private, have been on a spending spree recently. This exhibition draws together some recent acquisitions and, through almost entirely at Japanese children, it provides an opportunity to assess current Japanese taste in Western art. This seems to be basically conservative, with an emphasis on Impressionism and Post-Impressionism. The 60 works on show range from Renoir at his most sentimental to a selection from Matisse's mighty jazz series. The museum has a superb Art Deco interior and a pleasant garden. Closed August 24. Ends September 4.

National Museum of Modern Art. *The Image of Man in Modern Japanese Art*. Individualism is not generally shared in the sense of the portrait of individual psychology, is not part of the artistic tradition. However, in modern times, a number of Japanese painters have grappled with this problem with varying degrees of success. This exhibition features portraits and other works in which the human figure is predominant - all executed within the last 100 years. Closed Mondays. Ends September 5.

National Museum of Modern Art. *Picture Diary*. A pictorial diary and other works by the early 20th century master of the Ukiyo woodblock print, Utagawa Hiroshige. Ends August 23.

Sanjuro Museum. *Chinese showpiece of the Gen Dynasties (1644-1911)*. From the collection of American businessman Robert H. Clague. The works range from the 17th century lacquer, bowls and gourd-shaped vases in translucent coloured glass to elaborate showpieces including jade or porcelain that make virtuous use of techniques in which Chinese craftsmen were particularly skilled, such as carving relief and coloured overlay. Closed Mondays. Ends August 23.

Japan Folkcraft Museum (Nidan Bunko). *Japanese Crafts from the Past*. The museum is in an old Japanese farmhouse building which accords perfectly with the traditional beauty of the objects. Closed Mondays. Ends September 25.

Washington

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ARTS

Mrs Klein

COTTESLOE THEATRE

Who, except perhaps a composer of old-fashioned comedy revue sketches, could be optimistic about a play concerning three German Jewish female psychoanalysts talking to each other for two hours? Yet Nicholas Wright's National Theatre composition, impeccably directed by Peter Gill, is the most interesting new play of the year so far. Just as Pinter has adopted the hermetic language of neurophysiology in A Kind of Alibi and liberated his veraciously instinctive, so Nicholas Wright has turned psychoanalytical jargon to telling theatrical effect. The stilted language of the couch becomes a source of expressive conversational style. Melanie Klein, who settled in England in 1926, was the Marjatta Higgs of her day, seeing all sorts of problems in natural infantile behaviour. Her professional split with the psychoanalytic Freudianism, specifically Freud's daughter Anna, still causes ructions among Hampstead-based child analysts. Wright makes of her, quite rightly, a comic figure. Gillian Barge goes even further in breathily outlining a tragicomic one who wanders at one point if there could possibly be anything worse than a bossy Central European Jewish mother. "I hope," she says. "It is mothers and daughters time" in London in the mid-1920s. Just after Klein's son, Hans, has died of a mountain climb, she meets a young man, a neurotic, who is the son of a neurotic. Paula Heimann, one of the first wave of analysts to arrive here after the Reichstag burning, Paula is set to work translating (we must assume) the key Kleinian text, The Psychoanalysis of Children. The amendments will be made by the analyst. The daughter, Melitta (Francesca Annis), for whom Wright invents an implied sexual understanding with Paula, will renounce her mother. This Melitta did, this in a sense was all, do, Wright acknowledges Phyllis Groskurth's compulsively magisterial 1988 biography in the programme, but he has fashioned a tense and emotionally territorial drama that uses documentation as a springboard. Miss Barge presents a fascinating, frisky study in incoherence who mouths platitudinous deductions as a conversational ruse. We hear nothing of infant sadism until quite late on. She is also very much a period piece, walled up in London with books, family pictures and (on John Gutter's meticulous design) reclinatory portraits of three gurus: Ernest Jones, Klein's professional partner in England; her influential lover, the bespectacled C.G. Kluckhohn; and her Freudian mentor, Sándor Ferenczi. The odd detail of Klein's extraordinary story is released with devastating effect. Such as, that a girl Hans liked might have been a mother figure with a penis. That playing the violin is a symptom of repressed masturbation fantasy. That a nine-year-old, who "felt the room pressing in on him" is an excuse to pass the sherry. Making public material of privately endured experience is a major subject of our century's intellectual evolution, and this play questions many of the ethics involved. Miss Annis, rapidly eloquent and meltingly beautiful, expresses the resentment of a child turned guinea pig, while Zoe Wamankar brilliantly accomplishes the difficult task of binding peripheral functions of slave, admirer, friend and witness into a moving study of hired gun turned potential assassin. Melanie Klein used to say she was a Freudian, but not an Anna Freudian. Wright steers clear of such specialist wrangling, and instead focuses on the performance of even her distinguished professional life, reveals a woman beset by doubt, refugee vulnerability, and plain silliness. Michael Coveney

Take your partners for the silly season

Years hence you will be able to tell your grandchildren about the summer of 1988. "Gather round," you will say to the faces glowing up at you, bright with reflected firelight, "and I will tell you about the greatest, longest silly season in the history of British movie exhibition."

They will gasp in wonder at the series of connoisseur clinkers you will claim you saw that year. There were films about knockabout cancer victims (Hawks), mad railwaymen (The Pointman) and lovelorn nuns in Vietnam (Salpou). There were films sponsored by the Guardian (Solomon's Last Dance, The Naked Cell) to which you would not take your greatest enemy. And just when you thought things could not get worse, there was the week of August 12.

Grandchildren, gather round. This was the week of Shag and Anna. Shag was a film about an early 60s dance craze. "But no, grandpa, you must be wrong, that was Hobbyspray." No, children, Hobbyspray was another 1988 film about an early 60s dance craze or several early 60s dance crazes. Shag was about just one dance craze, the Shag. What happens is four South Carolina girls go off for a fun-filled weekend to Myrtle Beach, a coastal resort. During their sojourn, they

meet some fun-filled men and have a lot of fun-filled romance and flirtation. They also dance the Shag. "What is the Shag, grandpa?" I have just told you, it was an early 60s dance craze. "Yes, but what kind of dance?" Well, I don't know. One early 60s dance craze looks like any other to me. In a film like this, it is chiefly an excuse to play a large number of old pop songs on the soundtrack and the amorous hunt. But all it proved in this case is that women, when they want to be, can be as boorish, loud-mouthed and over-dramatised as any man.

What about the other film, Anna, grandpa? Was that an improvement? Yes, but not a great one. Once again women were centre stage, but any feminist hopes raised by that fact were dashed by the portrayal of most of the characters as niggers or no-hopers. The heroine, played by Sally Kirkland, is a Czech refugee and former star of the Prague theatre who has fallen on hard times in New York. She cannot get a good part even though she does everything they ask at auditions, such as twirling round on one leg screaming "Humpty Dumpty." (No, children, don't try it yourself, not when I'm talking. Anyway, this actress adopts a younger, prettier, newly-arrived Czech refugee (Paulina Poriskova). Soon the girl is hopping into bed with Miss K's lover, hopping into all the stage and screen roles Miss K might have coveted, and then hopping out of Miss K's life. So Miss K goes bananas and ends up trying to shoot her on a beach. "It sounds silly, grandpa." It is silly, children. Extremely silly. The main saving grace is Miss Kirkland. She won a Best Actress Oscar nomination for the part. She is tall, blonde and looks lovely, and resembles a cross between Margaret Leighton and Sally Kellerman. ("Both before our time, grandpa"). She has also been the "Unbearable Lightness of

Being" School for highly convincing Czech accents. But even she can do little with laboured direction by Yurek Bogayevicz, or with a script by Poland's Agnieszka Holland which seems a very dog-eared Hollywood calling card from the one-time co-writer of Man of Iron and Danton.

Were there any small foreign or independent films press-shown that week, grandpa, to make up for these two American clinkers? Well, there was King Of The Children from the acclaimed Chinese director Chen Haige. This was about a teacher, played by Xie Yuan, going to a new job in a remote rural village during the Cultural Revolution, a period of Chinese history in which all the bad old traditions of intellectual life were overthrown and replaced by worse ones. "Does this film support the Cultural Revolution?" Hard to say, children. The young hero has himself been sent to the country to be "re-educated." And while there he is moved by the seasonal majesty of the countryside - steep jungle-green cliffs, veils of mist, bare trees like gesturing hands, all beautifully photographed by Gu Changwei - and he also sets out to transform teaching habits. He urges the children to abandon their learning-by-rote. He encourages them to write stories and essays from their own heart and observation, and even to invent their own words. Alas, the classroom scenes, which constitute most of the movie, are dull to the point of paraplegia. And whether our



Xie Yuan in King Of The Children

are children? Children? "Zzzzzz." In a season of hibernation at the cinema, some of the liveliest movie-related fare is now to be found on television. I never expected to find myself thanking Heaven, for instance, for Jonathan Ross. But The Incredibly Strange Picture Show looks like being a series of welcome wake-up slaps. Kicking off last week with John (Pink Flamingoes) Waters, Ross's delving into the livelier, crazier, more outrageous strata of low-budget cinema should have

Amnt Edna gratefully leaping for her smelling salts. The poor woman has had not a moment's excitement all summer. Programmes like Ross's are, we hope, a warning shot across the bows of an impending event dreaded by all people connected with screen art and entertainment: the creation of a TV watchdog committee on tastes and standards under Sir William Rees-Mogg. Britain continues to uphold its record as the most nannyish society in Western Europe, and this new manifestation is of a piece with the late lamentable video nasties furor, with Clause 28 and with every other currently fashionable attempt to gag society or the arts with the lace handkerchief of gentility. Already, even before Sir William is properly in place, our small screens are being invaded by "TV versions" of feature films. (Quail at the excursions visited last week on Three Days Of The Condor). And already Sir William and his cohorts have threatened to extend their monitoring of moral standards from small screen to large. May I recommend, to a committee to whom standards are so important, the cherishing and upholding of the following standards in our national life: Freedom. Creative energy. Truth. Imagination. The spirit of adventure. What British screen culture today needs is not roadblocks but starting blocks, not cries of "Go back!" but generous and zealous shouts of "Go on."

Nigel Andrews

Swan Lake

BUSINESS DESIGN CENTRE, ISLINGTON

That inescapable balletic bird, the swan, is with us again. The Moscow Classical Ballet is in residence in Islington with yet another version of Swan Lake. It is an evening for the discovery of a cave-painting which will show the earliest record of these sacred rites. This production is a joint Anglo-Soviet enterprise, in that the staging has been put together in Moscow, while design - by Tim Goodchild - is a local product. It is clearly intended for a long touring life. The presentation contains everything audiences may care to expect from this ultimate balletic cliché - never mind the steps, feel the tits - and is guaranteed to be a popular success. It offers the drama told in direct terms, with the only departure from the conventional Western or Soviet views of the tragedy being that a final Hamletish coup finds Siegfried, Odette and von Rothbart dead on stage at curtain fall. The text is a confused mixture of Russian elements: six choreographers are cited in the credits, plus two assistant choreographers and, the production's claim to fame, the consultant presences of Mme Marina Semonova and Asaf Messerer (whose fourth act is the most interesting single element. Mme Semonova, most illustrious of Soviet ballerinas, was a celebrated Odette/Odile - as a precious fragment of her performance, now available here on video, tells us. Mr Messerer, teacher, dancer and choreographer, has helped shape generations of exceptional Soviet performers. Their joint involvement has brought certain precious stylistic elements to the dancers, and the Moscow Classical troupe looks far stronger, as an ensemble than it did on its previous visit four years ago. The scheme of the staging is, then, traditional enough: its merit far less so. I find little merit in abandoning Petipa's first act trio in favour of the present undistinguished variations which are owed, I think, to Gorsky. The first lake-side scene is generally more rigid in pattern than the Kirov's view of the Ivanov choreography; the ball-room dances are in the main sound, and soundly done; the Messerer last act has more energy and more lovely evolutions for the swans. What is missing is a coherent and cohesive text: there seem too many disparate choreographic elements for the good of the dance itself. Visually, the staging opts for an approximate mediocrity. The first act looks almost Arthurian, the lake a desolate reach of water, albeit more suggestive of Coniston in January than some High Gothic mere. The ball-room is a fantasy of white and gold pillars, candles, and a somehow shocking Madonna and Child (school of Dicks Bouts, perhaps) looming large in the centre of the back-drop. The costumes have all the extravagance this sort of staging always gets, when good taste is less abundant than sequins. There are ample draperies, cloaks, and the persistent flash of lures.

On Wednesday night I saw Vera Timashova as a decorous, competent Odette/Odile, and Vladimir Malakhov as a Siegfried of exceptional potential. Mr Malakhov is young, slim, long-limbed. His stage manner is as yet reserved, but starting signs of romantic intensity. His dancing is very fine. A huge jump, academic purity in style, a fine flow to movement, mark him as a talent of rare potential. Praise also for two other male dancers: for Igor Terentev's soft clarity in the first act trio, and for his elegant manners as Benno; and for Ilgiz Galimullin as the Jester. Jesters are an unlovely breed; young Mr Galimullin brings good humour, wonderful virtuosity, and a minimum of roughness to his activities. He has redeemed the role for me. From the company, abiding enthusiasm for their varied tasks. From the orchestra, a rather ill-balanced, oddly amplified account of a score, Clement Crisp



Vera Timashova as Odette/Odile and Vladimir Malakhov as Siegfried in Swan Lake

A Midsummer Night's Dream

HOLLAND PARK OPEN AIR THEATRE

Not quite open air: the seating area before the terrace and colonnade is sheltered by canvas against the unpredictable mid-summer night's streams of England, though not against the midsummer night's streams of American residents, who sound like the shrieking baseball players of Regent's Park Open Air Theatre having an evening at home for a change. Peter Benedict's direction evokes Fortunes of War, its garden furniture and wind-up gramophone doing duty for dual terrace or magic wood. Theseus is a rheumatic warrior in khaki engaged to a horsey Hippolyta; Demetrius spends the evening scrambling through the wood's mercifully non-existent briars in a Scots kilt; Pegasus' hostility to Lysander as a saviour for his daughter's hand may spring from the suspiciously pacific figure David Janson makes in his cord jacket and pullover. The mechanicals are a troupe of militaristic boy scouts played mainly by real boys. Francis Ffute's voice has the certain strain of adolescence. Little Sunn Minor's treble has yet to break. Bottom is James Powell, a young actor whose spivvy swagger and tendency to Cagney and Mae West impersonations fit both the context and the production style. This relies on the unexpected rather than an overall view of the play, disjointed and heavy-handed. Titania, as portrayed by Fenella Fielding, grabs the attention whenever she appears. Deploying vigorously balletic arm movements, she delivers the lines with purring volubility, occasionally verging on self-parody as when she does "Feed him with apricocks and dewberries" of a bemused Bottom. The Indian changeling looks almost chipped to her bones, which may be why she then painted herself firmly in front of him, compelling him to invisibility. Miss Fielding gets over the cloyed richness of her verse well. Roland Curran is also strong, a macho cloaked Oberon in rehearsal fights and grizzled beard. His body make-up arouses fears for melanoma and shows up the character's punk. Fute of Edward Bryan as a greily amorous. The lovers are a trifle colourless, with Juliet Fragon an under-directed Helena, except when she demands to be used as Demetrius would use his dog and stretches out voluptuously on her back. One assumes she wants her fanny tickled. Her period costume and haughty profile increasingly and unconvincingly recall early pictures of that former ornament of Grantham's mercantile milieu, the whilom Margaret Hillis Roberts; not least when, lowering over her fawning suitors, she tenses both their noses simultaneously. Martin Hoyle

Pleasure Life

ICA

The Kyoto-based theatre company Dumb Type aims to "fill the gap between static visual arts and performance art dependent on written dialogue." This sounds forbidding, but the 70-minute show in the Mall's temple to High Art is unfailingly intriguing, sleekly attractive to look at, and engagingly performed by five young dancers who act, or possibly actors who dance. Tohru Koyama's striking set conjures up a high-tech Elysium with scuffed tanks of - what exactly? Futuristic standard lamps or ashtrays? Identical metallic framework-stands are variously topped with glasses of water, a transistor, a camera, cacti in pots and those flimsy chrome sculpture that feature in chic executive-toy catalogues. A row of television monitors brings up the rear. Four summery white-clad figures weave their way down, across or through these aides. They stare towards us at some invisible TV set, flicking remote-controls and aping what they see, whether aerobic or romance. At one striking moment they charge down the aisles towards the audience to flashing lights only to be suddenly blacked out. The mont-

age is sometimes over-obvious. The four main performers joyously exclaim, "That's a perfect place for a party!" (The eventual sound of human speech comes as a job), settle down for a picnic, eat a banana, take a photograph and trudge off. The elegant Miss Ohuchi appears with a remote-control toy digger which scoops up the banana-skin. This is repeated unvaryingly four times. Finally the mechanical throb of the digger drowns everything. If the ecological burden is predictable, the methods are stimulating and beautifully executed, thanks to Shiro Takatani's lighting and Tohru Yamaoka's sound. Ominous ostinato, the sound of water, and the electronically distorted "I love you" - as mechanically repetitive as the digger one used to imagine in the rattle

of old railway trains - all add to the impact. The four actor-dancers are two couples: the Japanese Teiji Furuhashi, who also directs, and Misako Yabuuchi; and the western-looking pair, Katia Szevich, a tall glamorous blonde, and the co-choreographer, Joseph Housheer. Those for whom the term "performance art" conjures up the incoherent in pursuit of the incomprehensible could sample this and be happily surprised. Martin Hoyle

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BBC SSO ALBERT HALL, RADIO 3 On the past two evenings, the BBC Scottish Symphony have been making their annual Prom visit with their conductor Jerry Maksymiw. They began on Wednesday with the final exhibit in the Prom sequence of music prompted by Maestro's Politics at Mid-Summer. Sibelius's scene-music suite from 1905. Very good scene-music it is, fixing moods for key moments much like the ones evoked - more originally and elusively - in Debussy's operatic setting. Much of it has a pleasantly ingenuous tread (there is more than one echo of the backwater "Valse triste" which is perhaps exaggerated in full-orchestra performance: the theatre-band for which Sibelius wrote must surely have had a frailer sonority. Still, Maksymiw's tempi were nicely flexible, and the cor anglais solo in the Mellande movement was limned with delicate feeling. Later we heard a smooth, reasonably sprightly account of Mozart's A major Symphony, K. 201, and the strings were no less sympathetic in Britten's cycle Les Illuminations. They lacked only the cutting brilliance that perfectly tant ensemble is needed to achieve; no more did Yvonne Kenny, the soprano soloist, fling out Rimbaud's dazzling texts with the savage flair they deserve, though her musical command was secure and satisfying. In this cycle it David Murray

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Japan defies its critics

THE OECD, having strongly criticised West Germany's dismal economic performance, is surprisingly cool about Japan's recent remarkable progress. It concedes that domestic demand is growing at least twice as fast in Japan as in the rest of the world and that the current account surplus has been reduced by almost 14 per cent of GNP. It notes that inflation is likely to remain subdued even though unemployment has fallen sharply. Yet it does not enthuse. Indeed, it devotes a sizeable portion of the survey to a critical analysis of Japan's structural rigidities and calls for a range of micro-economic reforms based on policies adopted in the US and, to a lesser extent, the UK.

It is easy to see why Japan's success might be a source of irritation (as well as relief) in the West. Many economists have been arguing since the early 1980s that traditional Keynesian macroeconomic policies do not work. A fiscal stimulus and a relaxation of monetary policy, it is said, will do nothing to stimulate growth, but can be relied upon to stoke up inflation. The new wisdom is that governments should use tight macroeconomic policies to keep down inflation and strive to stimulate growth by removing microeconomic structural rigidities.

When the 'core' is disposable

AT FIRST sight, this week's announcement that the Inter-Continental hotel chain is up for sale looked like a conventional move "back to basics" by Grand Metropolitan, the UK brewing and food group which acquired it in 1981. The reality is more complex, and raises similar issues to the asset reshuffling which in the US has exposed General Electric and others to widespread criticism.

Like a stream of other companies on both sides of the Atlantic, GrandMet has undergone major surgery over the past few years, as a new top management has disposed of a string of businesses inherited from the days when broad diversity was deemed an automatic virtue. On the day of GrandMet's announcement the British FT group was trumpeting the benefits of having sloughed-off its incycle and domestic appliance interests in favour of concentration on a set of specialised engineering businesses.

Such disposals reflect a growing acceptance by corporate management of the dangers of owning businesses which it can add little value because their characteristics are unfamiliar to it, and because they require a management style which differs too greatly from its other businesses. As countless companies have found in the last few years, falling into this trap is one of the surest ways to attract the attentions of a break-up specialist.

Limited repertoire
The notion that the corporate centre can, with any degree of effectiveness, perform only a limited repertoire of roles has made headway in the US and Britain, where the market for corporate control is most fully developed. In continental Europe, gran-scale diversification of the kind practised by the Anglo-Saxons in the 1960s and 1970s is still widespread. But the recent empire-building of Daimler-Benz has drawn attention to the managerial strains involved, and the risks of Carlo de Benedetti and others have underlined the risks to banks and industrial companies of trying to run too

diverse a portfolio. Seen in this light, the sale of Inter-Continental is overdue. Hotels require very different managerial skills from GrandMet's food and drinks businesses. Yet the issue of distinguishing between "core" and "periphery" is not an easy one and companies have been known to transfer businesses from one category to the other on an arbitrary or opportunistic basis. The result can be a constant buying and selling of assets which leaves investors and employees unclear about the long-term direction of the company.

Breeding fear
The chairman of US General Electric has for several years differentiated in public between his long-term "cores" and those which are considered "periphery". His approach has been attacked for breeding fear among the managers of the peripheral businesses, but at least they do not suffer from a false sense of security. The GE line has not been entirely consistent: a few businesses have been moved from "core" to periphery, but usually this has been well advertised and explained to everyone concerned. So has his addition of several new "cores" through acquisitions in television production and financial services - moves which have laid it open to criticism for building an unmanageable and shifting conglomerate.

All companies have to evolve and it may sometimes make sense to dispose of activities which have traditionally been regarded as "core". It is also important that, in the process of concentrating their efforts, companies do not neglect the option of returning surplus cash to shareholders, rather than keeping their empire as big as it was before. A continual questioning of one's portfolio and direction is very necessary discipline, but not many companies can motivate their employees or prosper in the marketplace unless they can demonstrate a clear understanding of what their strengths are and a commitment to those businesses where their strengths are most relevant.

Tony Walker and Lamis Andoni examine Jordan's challenge to the PLO

When Mr Yasser Arafat, Chairman of the Palestine Liberation Organisation, received the news in Baghdad last week that King Hussein of Jordan was severing legal and administrative links with the West Bank, he was reported to be surprised and angered. He saw it as a further attempt by an Arab regime to exert pressure on his organisation. PLO officials wondered whether the King, knowing that Israel would never allow the PLO direct access to its supporters in the occupied territories, was presenting it with a challenge it could not possibly meet - in the hope that the Palestinians would turn back to him for help.

On the face of it, Mr Arafat had once again been caught in the shifting sands of Arab politics. But at the same time, his colleagues say, he recognises that Jordan's action also gives the PLO an opportunity to assert itself at last as the exclusive representative of the Palestinians. There is no doubt that King Hussein's advisers with a veneer of candour - consistent with Arab and PLO demands for independent Palestinian statehood.

The PLO's "make or break" task, as one of its senior officials puts it, is to capitalise on the King's announcement and on the months of Palestinian riots in the occupied territories. The challenge is to convert the political gains of the first half of this year into something more substantial. The question is whether Mr Arafat himself, or the organisation he controls, is in a position to seize the opportunity. There are many who doubt that either is, and within the PLO itself there are few illusions. "My worry," says a senior official, "is whether the PLO is ready."

King Hussein's gambit prompted serious discussions about the PLO's options at the Baghdad meeting of the Palestine Central Council. These options include the formation of a "government in exile", the unveiling of a new peace plan, and a unilateral declaration of independence in the occupied territories as a means of confronting Israel's refusal to talk to Palestinians associated with the PLO. There was also talk about inviting the United Nations more directly in the territories, possibly in a trusteeship role.

Proponents of a government in exile argue that such a step would help solidify the PLO administration and give it more credibility as the interlocutor for the Palestinians. Such proponents include, significantly, Mr George Habash, leader of the militant Popular Front for the Liberation of Palestine (PFLP) - the PLO's second biggest faction behind Mr Arafat's Fatah.

Their arguments are likely to carry more weight now that the PLO has been challenged to assume responsibility for the occupied territories. Pro-Western Arab states, such as Egypt and Morocco, have long urged the PLO to form a government in exile on the grounds that it would help attract international support for the Palestinian cause. PLO radicals, however, have always opposed the move because they believe it would dilute the organisation's effectiveness as the "liberation" movement, and susceptible to pressures from inside and outside the Arab world.

Would a so-called government in exile be in a position to wage armed struggle? ask the hardliners. And would it not be easier for hostile states to force concessions from a reluctant government than from a movement's supreme policy-making body. Dr Said has already met Mr George Shultz, the US Secretary of State, and would presumably be acceptable to members of the next US Administration.

A question being asked in PLO circles is whether Mr Arafat himself would be prepared to step back, momentarily, to allow the emergence of new Palestinian interlocutors. Among other options raised in Baghdad was confederation with Jordan, allied with the formation of a provisional government, as a means of overcoming the organisational problems caused by the King's decision to disengage from the West Bank. This was mentioned briefly by the PLO's "liberation" movement, and architect of the now defunct February 1985 Amman accord linking Mr Arafat and King Hussein in a joint peace initiative. This step would not conflict with the wishes of the PNC which, in repeated resolutions, demands independent statehood.

Ben-Zur in battle
Few insurance executives can claim to have combat experience. One who does is 34-year-old Ronnie Ben-Zur, the Israeli businessman who resigned last week as chief executive of PWS, the middle-weight Lloyd's broker, after taking responsibility for a disastrous \$2m purchase in the US.

Ben-Zur fought as an artilleryman in the Yom Kippur War. His war record may prove useful in what threatens to be an acrimonious battle for PWS, which, as it happens, is 42 per cent owned by a Cayman Islands trust set up for the benefit of Ben-Zur and his two sisters by their redoubtable mother Shoshana.

The family is deciding whether to sell out, or try to reassert control. Aside from Ben-Zur and his mother, the key people involved in determining PWS's future are Malcolm Pearson and David Springbett, who founded the company in 1984.

Ben-Zur himself - a slightly-built, bespectacled millionaire - was noticeably relaxed as he lunched this week at London's Inn on the Park (a change from his favourite eating place, Le Gavroche). "I've had four job offers since I resigned," he says. He dismisses as "an in-house PWS joke" the suggestion that he will stand for the Israeli Knesset, though he is keenly interested in politics.

One reason why he might be well-advised not to return to PWS is that he was never popular there. At the lavish cocktail party PWS throws for recruitment contacts in Monte Carlo each September, he was charming. In private, his abrasive style bruised the feelings of subordinates. Former colleagues say he was a temperamental employer who retired to bed for days after losing the takeover battle for Lloyd's broker C.E. Heath.

Once again caught in shifting Arab sand

There are those within the PLO who argue that the organisation should not be stampeded into a hasty response to King Hussein's decision: people in the occupied territories are used to hardship, they say. If King Hussein adds to these discomforts - as he has by discontinuing the salaries of former Jordanian government employees in the territories - then such steps might rebound on him. He is after all the ruler of a country in which roughly half of the approximately 3.5m residents are of Palestinian descent.

Reaction to the King's decision has been much more favourable in the occupied territories and in the refugee camps of Jordan itself - where the inhabitants are most directly affected by the King's announcement - than among middle-class Palestinians. Many of these are prosperous long-term Jordanian residents, made nervous by the implication in the King's statement that distinctions were now to be made between East Bank residents of Palestinian origin and their cousins in the occupied territories.

"Jordan is not Palestine," said King Hussein emphatically, his message was aimed not only at right-wing opinion in Israel and the US, but also at Palestinians who might entertain other ideas. For Mr Arafat, these are difficult times. Any advances in the past year have been matched by setbacks. A PNC meeting in Algiers last year ended a period of internecine struggle by unifying the main PLO factions, helping to solidify the PLO voice in Arab councils. But for most of 1987, the Palestinian issue was forced to take second place to the Gulf War among Arab concerns.

An Arab League summit meeting in Amman last November, hosted by King Hussein, virtually ignored the Palestinians, infuriating Mr Arafat and his senior advisers. Within weeks of this summit - partly as a consequence of the ambush delivered to the Palestinian cause by residents of the occupied territories rose up against Israeli rule, and forced the world, including Jordan, to focus attention once again on the Palestinian issue.

Eight months later the uprising continues with surprising intensity. In the meantime, in June an Arab League summit in Algiers voted to help fund the *intifada* - as the uprising is known in Arabic. But so far a promised one-off payment of \$128m (\$70m) plus \$40m a month has not materialised.

Mr Arafat almost certainly has cause to worry about the practical support he can expect from Arab states if he decides to fashion a new PLO. His fighters were recently ousted from most of their strongholds in Beirut's southern suburbs by Syrian-backed rebels of his own Fatah faction, and he is aware of a "convergence" of views between Amman and Damascus, antipathetic towards his leadership. He must also be wondering whether the King cleared his actions with other Arab States before taking them.

Many observers believe that Mr Arafat's leadership style presents an obstacle to the PLO's metamorphosis into a more purposeful organisation. His endless manoeuvring among the various PLO factions in an effort to maintain a semblance of unity - a difficult task because the competing factions have conflicting aims and ideologies - has diminished the organisation's credibility.

The challenge now for Mr Arafat is to fashion a political programme that will both satisfy the PLO's obligations to its constituency inside and outside the occupied territories and permit the unambiguous acceptance of UN resolutions, implying acceptance of Israel's right to exist. Acceptance of these resolutions holds the key to PLO's full participation in international peace efforts. Mr Arafat's colleagues will be asking whether he can meet this challenge - a question that will gain in intensity during the preparations for a meeting of the 400-member PNC, scheduled within a month.

The PLO Chairman must be aware that while he remains a potent symbol of Palestinian aspirations, the *intifada* is helping to forge a new and younger leadership of almost mythical character within the occupied territories. The traditional PLO leader-

ship can say it is helping to co-ordinate the uprising, but it cannot be sure that it controls it. All the more reason, argue some of Mr Arafat's associates, for the PLO to take the initiative in reconstructing its organisation and in formulating a new political programme.

Mr Arafat has recently exhibited impatience at the lack of progress towards a resumption of a genuine peace effort in the Middle East. He is, according to associates, conscious of the PLO's failure thus far to convert the gains of the popular uprising into a political programme that would help bring the organisation closer to participating, on equal terms, in a dialogue on a settlement of the Arab-Israeli dispute.

A document circulated recently by Mr Hassan Abu Sharif, one of Mr Arafat's closest advisers, outlines a "two-stage" solution to the Middle East dispute (an independent Palestinian state alongside Israel), was seen as an indication of the PLO chairman's desire to hasten the debate. The Abu Sharif article excited considerable interest in Israel and the US as evidence of a new trend in PLO thinking.



Yasser Arafat

But in recent weeks, the Abu Sharif line has been strongly criticised in PLO circles because it made no reference to the right of Palestinians to return to their homeland in Israel itself. Continuing differences over a peace strategy indicate that Mr Arafat will not have an easy time forging a new consensus about how to deal with the Jordanian challenge.

The meeting of the Palestine Central Council that has just ended in Baghdad recognised the danger of disunity, according to a participant. "We either agree on a unified political goal," he said, "or continue falling into a mess of contradictory remarks and infighting."

include "Thumper" (after Bush's rabbit legend) and, predictably, "Big Mac". He also happens to be one of the most influential of all Canadian post-war politicians.

Sixteen years a member of Parliament, he was often seen as the heir apparent to Pierre Trudeau and gained a reputation over the years as something of a troublemaker.

There are few senior cabinet postings he has not held. As energy minister, he presided over the creation of Petro-Canada, the huge state-owned oil company. As defence minister, he watched as the army patrolled the Montreal streets, following the suspension of civil liberties in 1970.

But he was back in the public eye four years later, when appointed to chair the Royal Commission on the domestic economy.

It was only at this point that Macdonald became convinced of the economic benefits to Canada of striking a free trade agreement with the United States. He has since argued consistently in favour of such a deal, despite Liberal opposition to the agreement which was eventually stitched together this year by Prime Minister Mulroney.

It was perhaps this conviction which best qualified him for the High Commissioner's job in the eyes of Mulroney. The Prime Minister faces an imminent general election on the issue, perhaps as soon as Macdonald takes up his post in October.

Well connected
A reader recently in Istanbul reports that a brochure issued by his hotel includes the claim that it is "within travelling distance of all parts of the world."

Mac's tracks
Donald Stovel Macdonald, appointed to be the next Canadian High Commissioner in London, is a towering 6 ft 5 in lawyer whose nicknames

OBSERVER

Slow Boat

As a Hanson, I learn, is not only an aggressive form of U.S. conglomerate but also a flat-bottomed Korean sailing boat whose history dates back to the Middle Ages.

According to the latest issue of Korea Newsview, hansonans are making a comeback on Korean rivers. A cover story article informs us that "these boats sail almost entirely with the wind. While it is almost impossible to bring these ships about, they can do so by bringing the wind first on one quarter and then on the other by changing the direction of the sails."

Perhaps the most intriguing thing about the hanson is that it "was not the result of a single flash of inspiration but, like most great inventions, a development or combination of pre-existing ideas."

In London, Hanson's deputy chairman, Martin Taylor, said this was the first time the company knew of its Korean connection. "It sounds as if we're a little more fast-moving than a hanson," he said.

Hegde clipped
Mr Ramakrishna Hegde's resignation as chief minister of the south Indian state of Karnataka after a controversy over the tapping of his political opponents' telephones must eliminate for some years the chance of a non-north Indian becoming a future prime minister of India, a post which has so far usually been held by a person with a base in the key Hindi-speaking heartland in the north.

Hegde became chief minister of Karnataka in 1983 following the unexpected victory of the Janata party in state elections. But although he was an able administrator, he was, like many other Indian chief minis-

Iran International Airport

"I'm afraid your luggage is in Angola, gentlemen."

fiers, tainted by allegations of corruption.

Hegde always wanted to make more of a mark on national politics, and he actually resigned as chief minister a year ago to make this possible, apparently because he wanted to stake his claim to the leadership of any opposition coalition that came up.

But he cannot now hope to head the newly-formed National Front of seven opposition parties which was launched last weekend as an alternative to Mr Gandhi's ruling Congress-I. Since Hegde is a prominent member of the National Front's presidium, his resignation also marks a setback to the new coalition's commitment to cleansing the murky Indian political scene.

Mac's tracks
Donald Stovel Macdonald, appointed to be the next Canadian High Commissioner in London, is a towering 6 ft 5 in lawyer whose nicknames

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Iraq accuses Iran of missile attack

By Tony Walker in London

IRAQ yesterday accused Iran of shelling its military positions on Tuesday and Wednesday near the Shatt al-Arab waterway, where the Gulf war broke out nearly eight years ago.

A statement by Iraq's UN mission said the Iranian armed forces bombarded Iraqi military positions of the Third Armored Corps Sector with howitzer projectiles, mortar shells, and small missiles. The area referred to is near Iraq's southern port city of Basra.

On Monday when Secretary General Mr Javier Perez de Cuellar announced August 20 as the cease-fire date in the war, Iraq gave him a pledge that it would not launch any attacks before that date.

But Tehran complained on Wednesday that Iraqi jets had violated Iranian airspace and bombed Iranian cities in the south-west of the country.

Earlier the five permanent members of the United Nations Security Council were urged by Mr Perez de Cuellar to help fund the proposed Gulf war peacekeeping mission which is due to start monitoring a



Perez de Cuellar: Given pledge by Iran

ceasefire on August 20. Mr Perez de Cuellar said the five permanent members - the US, Britain, France, China and the Soviet Union - had "a duty to pay for the consequences of your decisions."

unanimously on Tuesday to authorise the formation of a 360-member monitoring group to be dispatched to the Iraq-Iran front.

In New York, it was announced yesterday that Maj-Gen Slavko Jovic of Yugoslavia would command the observer force, some of whose members are already on their way to the battlefield. The UN peacekeeping operation is expected to cost \$74m in the first six months.

The UN is in serious financial difficulties. Arrears on payments by individual countries amount to about \$800m, two-thirds of which is owed by the US.

In Tehran yesterday, a five-man UN unit, headed by a Canadian colonel, held talks with Iranian officials on ways to implement the ceasefire.

At the same time, Mr David Reddaway, a British diplomat, headed for Iran to discuss a range of issues, including the plight of hostages in Lebanon. Mr Reddaway, 35, will be the first British diplomat in Iran since the two countries downgraded relations to June, 1987.

US, Soviets in joint space talks

By Peter Marsh in Washington

THE US and the Soviet Union are discussing an unprecedented joint space exercise that could increase scientists' understanding of the depletion of the ozone layer - the mantle of gas high in the atmosphere that protects the earth from harmful radiation.

At the same time they are laying the foundations for a joint manned mission to the moon early next century, where scientific apparatus to monitor the solar system could be set up.

These proposals have emerged in high-level talks on collaboration in space and are a result of the two powers' warmer relationship over the past two years.

Mr Richard Barnes, director of international affairs at the US National Aeronautics and Space Administration, said he was encouraged by the discussions. "The dialogue is beginning," he said.

The first programme could be a scheme to put an instrument developed by Nasa for monitoring the ozone layer into space, using a Soviet rocket.

Over the past year the ozone layer has been the subject of intense study by scientists. It is thought that it is being partially destroyed by chlorofluorocarbons, gases used in aerosols, refrigerators and insulating materials.

The instrument could be mounted on a Soviet satellite and put into polar orbit as early as 1990.

Mr Barnes said both sides had agreed to the idea in principle - although the engineering specifications of linking US and Soviet hardware had still to be worked out.

The instrument is a copy of an existing space sensor, called the Total Ozone Measurement System, that Nasa already has in orbit.

Because of a shortage of launchers, Nasa would be unlikely to get the replacement into space using its own rockets until the mid-1990s.

A second scheme under discussion involves sending a package of scientific experiments to the moon, probably early next century, with astronauts from both countries.

Oil companies plan EC approach

By Max Wilkinson in London and George Graham in Paris

SEVEN of Europe's largest oil companies are attempting to form an association to present a common case to the European Commission in Brussels, and perhaps to discuss refinery closures, several oil companies said yesterday.

The initial purpose is to discuss common technical problems arising from the opening up of the EC's energy market after the issue to be addressed include lead-free petrol, the harmonisation of taxation on petroleum products - petrol, diesel, industrial and domestic fuel oil - and the development of European quality standards for motor fuels. However several of the

companies are also keen to discuss ways of reducing over-capacity in the refining industry and import controls.

The companies involved in the talks so far are Elf Aquitaine of France, Total of France, Petrofina of Belgium, Repsol of Spain, ENI of Italy, British Petroleum of the UK and Veba of West Germany.

BP officials said yesterday that contacts were of a preliminary nature and that detailed discussions of such matters as refinery capacity would be unlikely in view of EC competition law. BP's second-quarter results, published yesterday, show that refinery and marketing profits in Europe

remain poor. However, France's oil companies are keen to set up a European lobby group for their industry and hope it will be possible to bring in the European subsidiaries of the US oil majors. They may hope that a common front can be agreed on matters beyond technical standards.

Both Total and Elf Aquitaine are losing large amounts of money on their domestic refining operations and are keen for governments to take action to stem imports of refined products from the Gulf.

French refiners argue that the EU's import of refined products heavily, while Japan

others import except by other refiners, and that the EC, too, should take action against imports to view of its 180m-tonne refining capacity surplus. They have pressed for the EC, in its talks with the Gulf Co-operation Council, to negotiate a duty on

Elf and Total-France, the refining and distribution arm of Total, have repeatedly asked the French Government to brake the import of refined products from the Gulf.

A spokesman for Petrofina and ENI confirmed that talks were going ahead and said that refinery capacity in Europe was a matter of common interest.

US drought 'will cut output by 31%'

By Nancy Dunne in Washington

THE DEVASTATING 1988 US drought will cut total US grain production to 192m tonnes, 31% lower than last year, the US Agriculture Department said yesterday in its August crop report.

With hot, dry weather still prevailing in the Midwest and the Plains states, the maize crop is enduring a particular battering. Output will plummet 37% from last year, the USDA said, cutting the national stocks to 22% or a three-month supply of annual needs.

estimate reduction, the largest on record, remains unchanged next month, then the US will be required by law to cut back its acreage reduction programme in order to expand next year's output, the USDA said.

The crop report was released yesterday shortly after President Reagan signed a \$3.9bn drought relief package which will ensure a continued flow of Government money to American farmers whose votes may be key in the November elections. The legislation, billed as "the

largest disaster relief measure in history", will spend Government money to farmers who have lost more than 36% of their crops. Payments will be equal to 65% of their losses over the 36% threshold.

Although the drought in the Gulf and south-east states helped soybean producers, the drought of 1988 is by no means over, according to Dr Norton Strommen, the USDA meteorologist. The Department cut last month's soybean estimate 1.65m bushels to 1.47m bushels, a fall of 23% below last year. Stocks will be the lowest

in 12 years, and American processors may have to turn to imports for their supplies.

Drought is taking a toll in China, Canada, the Soviet Union and Eastern Europe as well, the Department said. It is a move in this direction would help correct the deterioration in Britain's trade account. The Bank believes the deterioration is a function of too buoyant demand and not a sign that the British industry is uncompetitive in world markets. It also believes that the extent, though not the direction, of the deterioration in the trade account is exaggerated.

Its main concern over inflation is centred on increasing capacity constraints in industry, an acceleration in labour costs and rising world commodity prices.

Dollar falls sharply as US prime rate rises

Continued from Page 1

to 27.764.94. The dollar ended at DM1.900 against the D-Mark compared with DM1.915 at the previous close. Against the Yen it closed at Y133.85 compared with Y134.45.

Sterling slipped against the D-Mark to end at DM3.2225 against DM3.400. Compared with the dollar, however, it rose, ending at \$1.7015 against \$1.6910. The Bank of England's sterling index ended 0.3 higher at 76.9.

Stewart Fleming in Washington writes: The increase to US prime rates to double-digit levels will be worrying to Vice-President George Bush's presidential election campaign strategists.

Increasing numbers of Americans have loans and mortgages with interest rates which are a full percentage point higher than the prime rate, so the impact of higher interest rates feeds straight through into household budgets.

Financial and describes the information it gave to investors as "misuse and abuse of our name".

He says he began to receive enquiries from investors in November and in December informed an investigator in the Chicago office of the US Securities and Exchange Commission about them.

Several investors report that the telephone salesman contacting them had American accents. Many of the names used in contacting clients were false, according to Commissioner Stanb. There were probably only a few salesmen using different names.

The procedure in the Basle companies was for telephoneists to tell clients their contact was not in but would call back. Replies would then be made from Amsterdam, Eilvesum, Brussels, Dortmund, Paris or Cannes but with the client believing he was talking to the company in Basle, according to Mr Stanb.

Altogether, he estimated, if office staff answering telephones are excluded, the whole network was operated by between 20 and 30 people.

UK inflation 'will continue to rise'

Continued from Page 1

only exacerbate inflation. It calls again for industry to exercise restraint in the pay settlements to which it accedes.

It appears, however, to be comfortable with the present level of 11 per cent basic rates. The Bank believes the effect on the economy of the cumulative 3% percentage point rise in interest rates since June will have a significant impact on the economy.

Its assessment of the UK and world economies is written against a background where the balance of concerns has shifted from the maintenance of growth to the restraint of inflation. The monetary easing which took place after the October crash in world share prices has been reversed to deal with the emerging inflation threat, it said.

The consequence for Britain and the other major economies in the industrialised world is that growth will be less buoyant in the second half of the year compared with the first.

It warns that the recent appreciation in the dollar may slow the reduction in global trade imbalances and cautions against some "over-optimistic expectations" in financial markets over the path for the US trade deficit.

Although the Bank is content with the current level of interest rates they are not, however, fixed for all time. If there were any unexpected deterioration in the value of the pound or evidence that the rise in interest rates was not having a restraining influence

on demand and inflation then it could be expected to push for higher rates.

The Bulletin also signals a change in emphasis adopted by the authorities concerning the exchange rate. With the D-Mark's recent weakness, exchange rate policy is now less focused on the D-Mark and more so on the effective exchange rate as defined by the Bank's sterling trade-weighted index.

In this context it noted that the Government had been able to raise interest by a considerable degree without leading to an excessive strengthening in sterling. It noted that with the sterling index around 76.5 it was little changed from the level prevailing at the beginning of the year.

In the Bulletin, the Bank said its two main concerns were the emerging signs of inflation in the UK, and the need to rein in the rapid growth of domestic demand.

A move in this direction would help correct the deterioration in Britain's trade account. The Bank believes the deterioration is a function of too buoyant demand and not a sign that the British industry is uncompetitive in world markets. It also believes that the extent, though not the direction, of the deterioration in the trade account is exaggerated.

Its main concern over inflation is centred on increasing capacity constraints in industry, an acceleration in labour costs and rising world commodity prices.

OTC worldwide fraud 'involved over \$250m and 10,000 investors'

Continued from Page 1

gave after receiving complaints from German investors.

Mr Andrew Chapman, a Briton, and Mrs Simone Davies, a Swiss, have been remaining in custody for three months in Geneva. Six men are being held in France, among them Mr Thomas Quinn, an American to whom both the Geneva magistrates and Mr Stanb point as the kingpin of the organisation.

The telephone number of Mr Quinn's villa at Mougins, near Cannes, where he was arrested by French police, was found in the papers seized in the Chelsea Financial offices in Basle, according to Mr Stanb.

The whole operation, which attracted more than \$350m in investors' money, appears to have lasted less than 18 months, from the establishment in Vaduz, Liechtenstein,

in January, 1987 of Kettler International Corporation, which changed its name in June 1987 to Kettler Investment AG.

The method used, compared by a US broker to investment "bucket shop" operations, was to solicit funds from investors for placement in US OTC stocks. Monthly statements were issued but share certificates were "held in safe-keeping" by the investment management companies.

Initial approaches to potential investors were made by letter, usually with samples of financial newsletters, Flash Report and The Swiss Analyst. If the client responded, investments in OTC shares were recommended by letter and by telephone with hints of large profits to be made.

When investors asked to sell their holdings, they were usually persuaded to invest US proceeds of the sale in other, even more attractive stock.

One investor initially received an offer of a free trial subscription to Flash Report, headed, "You do not have to engage in insider trading to achieve more than 100 per cent

per month on the exchanges". The investor was then contacted by letter and telephone from Basle. He invested over the next 10 months through Chelsea Financial in Messidor, Vanguard Financial and Hillside Gold and Minerals.

In a circular letter dated July 8, Chelsea Financial informed him that all clients' accounts would be administered from July 14 by "the head office", Allied Chelsea Inc in Curacao, the Netherlands Antilles.

Client services were to be concentrated in "the European representative offices" of Allied Chelsea in Madrid. Calls to the Madrid telephone number evoke an answering machine which says, "This is not the office of Allied Chelsea".

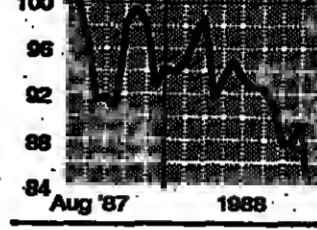
A "general information" sheet sent to the investor purported to link the Basle company with Chelsea Securities Inc of Newport Beach, California, a member of the US National Association of Security Dealers (NASD).

Mr John Pimm, vice-president of Chelsea Securities, denies any link with Chelsea

Mixed messages from Big Oil

Shell

Share price to the FT-A All-Share Index



It almost goes against nature for the BP and Shell share prices to behave differently on interim results days, so one would assume there were some pretty solid reasons why Shell's shares fell 29p and BP's rose 3p yesterday. In BP's case the explanation is good enough. Not everyone had dared hope for a higher dividend, and even though the extra is seen a reflection of a particularly strong first half than the need to prevent a large fall in the return to US investors, a prospective yield of nearly 7 per cent is hard to argue with.

For Shell, the reasoning is more flimsy. Although its profits were about £100m lower than expected, a large number of odd items and events beyond the company's control made up the difference; in particular, higher margins downstream making up some of the damage, and the difference made up by the continued boom in commodity petrochemicals, with a repeat performance likely in the second half.

Of the two, the market regards BP as the exciting one, and has looked on its recent moves with approval. However, the master plan to diversify into nutrition and the \$500m purchase of Purina Mills is still regarded as looking questionable. For such a major division, a first quarter profit of £3m and second quarter loss of £2m is clearly unsatisfactory.

RHM/Goodman

If the exchange of offer and defence documents marks the first formal round of the Goodman/RHM contest, RHM looks to be ahead on points. The forecast earnings increase of 25 per cent puts the offer multiple at only 15.5 for the year just ending, and RHM has no difficulty in finding food companies which have recently fetched

prices which are less than power. Thanks to the opacity of French accounting practice (to British eyes at least), Royal appears to have realised only belatedly that the proposed deal would have left Victoire controlling a third of the combined group, and with a potentially hostile Antipodean presence already on Royal's share register, this would have left it feeling too vulnerable by half.

Markets

Judging by its latest quarterly bulletin, The Bank of England is much happier now than it was three months ago with the UK policy mix. The Bank's interest rate has been raised by almost 300 basis points, whilst sterling, on a trade weighted basis, is modestly weaker, which makes the tough medicine somewhat easier to swallow. Inflation rather than the trade deficit has clearly been identified as public enemy number one, but assumptions that it may top 6 per cent next year may be getting over gloomy. Interest rates may well have to rise again at some stage, but the authorities will need some clear evidence that the expected sharp slowdown to demand is not materialising before they act again.

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Area	Temp	Wind	Cloud	Pres	Humid	Visib	Other
Abisko	12	10	100	1013	85	10	
Adana	28	10	100	1013	85	10	
Algeria	28	10	100	1013	85	10	
Almaty	28	10	100	1013	85	10	
Amman	28	10	100	1013	85	10	
Ankara	28	10	100	1013	85	10	
Antwerp	18	10	100	1013	85	10	
Arcata	18	10	100	1013	85	10	
Asmara	28	10	100	1013	85	10	
Athens	28	10	100	1013	85	10	
Atlanta	28	10	100	1013	85	10	
Auckland	18	10	100	1013	85	10	
Baghdad	28	10	100	1013	85	10	
Bahia	28	10	100	1013	85	10	
Baku	28	10	100	1013	85	10	
Bangkok	28	10	100	1013	85	10	
Barcelona	28	10	100	1013	85	10	
Batavia	28	10	100	1013	85	10	
Bombay	28	10	100	1013	85	10	
Boston	18	10	100	1013	85	10	
Buenos Aires	28	10	100	1013	85	10	
Burgas	28	10	100	1013	85	10	
Calcutta	28	10	100	1013	85	10	
Cairo	28	10	100	1013	85	10	
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Chicago	18	10	100	1013	85	10	
Chongqing	28	10	100	1013	85	10	
Colombo	28	10	100	1013	85	10	
Copenhagen	18	10	100	1013	85	10	
Dacca	28	10	100	1013	85	10	
Dahomey	28	10	100	1013	85	10	
Dar es Salaam	28	10	100	1013	85	10	
Delhi	28	10	100	1013	85	10	
Detroit	18	10	100	1013	85	10	
Dublin	18	10	100	1013	85	10	
Edinburgh	18	10	100	1013	85	10	
Geneva	18	10	100	1013	85	10	
Hankow	28	10	100	1013	85	10	
Hong Kong	28	10	100	1013	85	10	
Houston	18	10	100	1013	85	10	
Imbabura	28	10	100	1013	85	10	
Indan	28	10	100	1013	85	10	
Intan	28	10	100	1013	85	10	
Istanbul	28	10	100	1013	85	10	
Jaipur	28	10	100	1013	85	10	
Jakarta	28	10	100	1013	85	10	
Jeddah	28	10	100	1013	85	10	
Johannesburg	28	10	100	1013	85	10	
Kobe	28	10	100	1013	85	10	
Kuala Lumpur	28	10	100	1013	85	10	
Lagos	28	10	100	1013	85	10	
Lima	28	10	100	1013	85	10	
London	18	10	100	1013	85	10	

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FINANCIAL TIMES
COMPANIES & MARKETS

Friday August 12 1988

OCS

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INSIDE

Lex leads the way into US car market

Lex Service, the UK's largest vehicle distributor, is the first British public company to penetrate car retailing in the US, by far the world's largest single market. The breakthrough is one of the clearest indications yet that fundamental changes are taking place in the US car retailing business. Page 22

Schneider reveals dual purpose

For Schneider Rundfunkwerke, the fast-growing West German electronics company, this is a crucial year. It has taken the bold step of producing its own computers and plans to buy Dual, the loss-making German record player company - "still an excellent name" in the German audio market, says Bernhard Schneider, marketing and sales director and co-owner of 75 per cent of the company. Page 18

BTR Nyxat profits surge 168%

BTR Nyxat, the 22 per cent-owned Australian subsidiary of BTR of the UK, reported a 168 per cent surge in net profits after minorities for the six-months to June. The group is one of the darlings of the Australian share market, being well-positioned in a manufacturing sector undergoing a slow restructuring, and aggressively managed by Alan Jackson, its chief executive. Page 20

ESA sows seeds of confusion

Making money for "doing nothing" - some people's idea of paradise. But not for Lynn and Alan Thomas, who farm 1,000 acres in mid-Wales. They have decided not to join the government's latest farm support scheme which pays farmers compensation for environmentally friendly farming practices. Bridget Bloom looks at the pros and cons of the ESA scheme. Page 34

Unisys keys in to Unix

Unisys, the US computer giant, is to take over Convergent, a California maker of work stations, to bolster sales of computers running on the Unix operating system, a fast-growing market segment. The purchase will make Unisys self-sufficient in the manufacture of distributed computer systems. Page 13

KLM earnings drop to \$48.5m

KLM Royal Dutch Airlines announced a 13 per cent drop in profits in the first quarter of fiscal 1988-89 to £1 105.5m (\$48.5m) from £1 121.5m in the like period of 1987-88, because the year-earlier earnings were boosted by aircraft sales. For this year, however, KLM expects to book more profits from aircraft sales than last year. Page 18

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Chief price changes yesterday

Share	Change	Share	Change
Admiral	+1.2	Becht	+0.5
Asimont	+0.8	British Aerospace	+0.2
BTR Nyxat	+1.5	Charterhall	+0.3
Convergent	-0.5	Convergent	-0.2
Davies & McCallie	+0.1	Davies & McCallie	+0.1
Foreign & Colonial	+0.2	Foreign & Colonial	+0.2
GC & O Brands	+0.1	GC & O Brands	+0.1
Grandhotel	-0.2	Grandhotel	-0.2
HK & Shanghai Hills	+0.1	HK & Shanghai Hills	+0.1
Hughes Aircraft	+0.1	Hughes Aircraft	+0.1
IBM	+0.1	IBM	+0.1
Imperial Oil	+0.1	Imperial Oil	+0.1
Irish Distillers	+0.1	Irish Distillers	+0.1

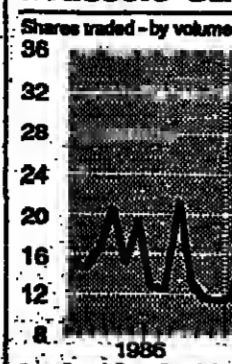
NEW YORK (Dow Jones)

Dow Jones	2858.75
S&P 500	118.12
Nasdaq	215.12
NYSE	118.12

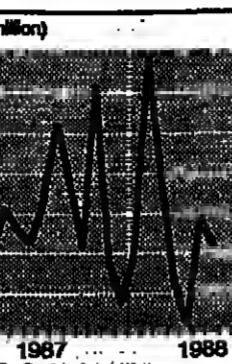
LONDON (Financial)

Admiral	378	-10
Asimont	372	-8
BTR Nyxat	156	-5
Convergent	428	-8
Davies & McCallie	294	-6
Foreign & Colonial	756	-10
GC & O Brands	270	-10
Grandhotel	2104	-3
HK & Shanghai Hills	308	-8
Hughes Aircraft	511	-7
IBM	287	-8

Brussels SE



London SE



Belgium lights fire of stock exchange reform

Tim Dickson reports as the Government moves to break the impasse between banks and brokers

The Belgian Government's effective blueprint for a "Big Bang" - spelt out yesterday by Mr Philippe Maystadt, the finance minister - was welcomed by the impasse reached last month in long-running negotiations between banks and the Brussels Stock Exchange over local stockbrokers' quasi-monopolistic position.

Behind the minister's bold attempt to break this deadlock, however, lies a much wider and deeper concern that without urgent reforms, Belgium's capital city will miss out on the opportunities created by the unified European market as institutional investors take their orders elsewhere.

Politicians and financiers are already concerned at the volumes of business being lost to London and Paris.

"It seems to me," Mr Maystadt said in his letter yesterday to Mr Jean Peterbroeck, president of the Stock Exchange Commission, and Mr Leo Goldschmidt, president of the Belgian Banking Association, "that my intervention in this matter is based on a more global perspective, which is that the modernisation of Brussels as a financial centre is necessary in view of the competition which will face all parties in the newly integrated European financial services market foreseen for 1992."

A complete recasting of the legislative framework and rules of the stock exchange is being undertaken, Mr Maystadt said. He is to set up a new Government commission, comprising institutional and foreign investors as well as representatives of the banks and the stock exchange.

The aim is to reach outline decisions on key issues facing the market by the end of October.

Mr Maystadt did not make formal proposals yesterday, but he made clear his view that the stock exchange should be opened up to Belgian financial institutions, and ultimately to foreigners, not least for the capital which they can bring.

Moreover, he indicated, the bourse is much too fragmented, with more than 300 individual firms, and greater transparency in dealings is badly needed.

The deep leather armchairs on the floor of the Brussels Stock Exchange are an indication of the somewhat relaxed atmosphere which has prevailed over the years.

Nevertheless, contrary to some impressions, the 314 stockbroking firms do not have a monopoly of all trading in Belgian stocks. Under local law, banks are allowed to deal "off bourse" in parcels of shares worth more than BF10m (\$250,000). Below this figure they have to go through the market.

However, as in London until the changes which preceded "Big Bang," banks are not allowed to participate in the capital of stockbroking firms - a restriction which has been increasingly irksome to them. It has been the main subject of negotiations which started two years ago.

Running in parallel with this issue, meanwhile, has been the stock exchange's own efforts to modernise its practices via the introduction of CATS, a continuous electronic trading system with centralised price information.

This initiative has been intended to provide greater transparency in dealings - and to end the situation most marked during this year's buying spree in Societe Generale de Belgique when some investors were blatantly disadvantaged. As things stand, however, the banks fear that CATS could be a further threat to their position.

Under one stock exchange plan, the banks would be able to see the prices on their screens and use them as a guide for their own block trading - the facility

would not be "two-way" and thus afford them direct access to the market.

"They are afraid that their clients will go straight to a stockbroker," one experienced observer explained last night.

Given Belgian governments' traditional "hands-off" approach to the financial markets, Mr Maystadt's announcement of a new commission and his decision to chair it was widely welcomed as a "positive" and "courageous" move.

Mr Sebastian Scotney of investment bank Dillon Read pointed out that Mr Maystadt's predecessor, Mr Mark Fyskens, was particularly disinclined to get involved in what he considered a private matter.

No one, however, believes that the forthcoming negotiations will be any easier than what has gone before or that Mr Maystadt's letter provides an altogether clear indication of the way ahead.

At first glance, it appears to offer most encouragement to the banks but, not surprisingly in a country which is governed by compromise, it skates round some of the more sensitive issues.

Nothing specific, for example, is said about Mr Peterbroeck's ambition to bring the banks' block-trading market under the wing of the stock exchange or his insistence that stockbrokers' "autonomy" be respected - a key factor in the previous impasse.

Mr Maystadt, however, makes clear that the CATS system, due for introduction in September, will not be allowed to proceed until the negotiations have made some progress.

Speaking from his holiday in Fontainebleau yesterday, Mr Peterbroeck said he regretted this decision but welcomed the new "guidelines" which had been laid down by the minister. He stressed the importance of



Brussels Stock Exchange: Government's move welcomed by both sides to dispute

modernising the bourse but, while accepting the desirability of outside capital, emphasised the need to maintain the "autonomy" of stockbrokers.

On the question of access to the market, Mr Maystadt suggests that stockbroking firms should continue to exist but that their management should be "flexible" and take into account the capital provided by shareholders.

He says, moreover, that a code of ethics should be devised to avoid conflicts of interest, that re-groupings of firms should be encouraged, that minimum capital requirements should be fixed with a distinction drawn for those who wish to be market-makers as well as agents, and that other domestic and foreign financial institutions should not be excluded.

RHM bolsters bid defence with £156m forecast

By David Waller in London

Ranks Hovis McDougall, the UK foods group fighting a £1.72bn (\$2.9bn) from Goodman Fielder Wattle, yesterday buttressed its defence against the Australasian food company by forecasting pre-tax profits of at least £156m for the year to September 3.

The forecast, contained in RHM's defence document, represents a 34 per cent increase over the 1986-87 and is ahead of stockbrokers' estimates, which had settled around the £150m mark. RHM also forecast that earnings per share and the dividend would rise by 25 per cent each.

In the document, RHM claimed that Goodman's bid price of 465p a share fails to reflect its "outstanding" earnings and dividend record over the past five years. And, according to RHM, the bid terms represent a much lower multiple of historic earnings than those paid so far this year in acquisitions of European food manufacturing companies.

Goodman responded aggressively, claiming that the forecast was disappointing, and that in any case it was arrived at before rationalisation costs of £14m, which are taken "below the line" as extraordinary expenditure. "If these are taken into account, the price earnings ratio works out at significantly more than the 15.5 quoted by RHM," said Mr Rupert Fawcett Walker of Samuel Montagu, Goodman's merchant bank adviser.

RHM claimed that Goodman's offer was parsimonious compared with the exit multiples paid, for example, when Nestlé bought Buitoni and Rowntree or when United Biscuits bought Ross Young's; the historical multiples on these transactions were 35, 26 and 25 respectively.

Goodman countered by saying that the offer represents a substantial premium to the UK food manufacturing sector's prospective p/e of 11.7, and repeated its contention that RHM had entered

a period of profits stagnation and slow growth.

The bid is one of the largest and most leveraged hostile take-over attempts seen in the UK, and, inevitably, the Antipodean predator's finances also came under attack. The combined group would have "dangerous levels of borrowings," the UK company claimed.

"On its own figures," RHM's document states, "the borrowings of a combined GFW/RHM would represent 2 1/2 times shareholders funds. GFW has not shown how it could meet its banking obligations whilst maintaining RHM's expenditure on capital expenditure and research and development."

RHM took the opportunity to disclose that it has invested nearly £50m in the Mr Kipling brand alone in the five years to September 1987, and spent £89m on supporting its brands with advertising over the same period.

Total capital expenditure over the last five years was £322m. Such a level of expenditure could not be maintained by Goodman, RHM alleged.

According to the document, the combined group would have negative net tangible assets of £494m, and that total borrowings would be £1.93bn. Interest costs, assuming an average interest rate of 12 per cent a year, would exceed £30m a year.

RHM also alleged that Goodman would find it difficult to manage the company from the other side of the world. "GFW's sales outside Australia and New Zealand in 1986/87 were equivalent to about £70m - RHM's sales outside the UK in 1986/87 of £350m were five times as large."

Shares in RHM added 4p to close at 465p, 6p below the Australasian company's offer. GFW already owns 29.3 per cent of the target company's shares.

Lex, Page 16

Shell and BP report surge in profits for first half

By Steven Butler in London

ROYAL Dutch/Shell and British Petroleum, two of the world's highest oil companies, yesterday turned in broadly similar performances for the first six months.

On a replacement cost basis, which best reflects the underlying trend in net profits, Shell's earnings were up 27 per cent at £1.66bn, while BP moved ahead 25 per cent to £731m.

The two companies diverged, however, on where profit came from in the underlying businesses. And their share prices

moved in opposite directions yesterday as Shell came in well below market expectations, while BP offered some pleasant surprises.

Shell earnings in oil and gas exploration and production were halved in the second quarter - 85 per cent in the half-year.

BP's earnings also fell in the exploration and production sector, although by only 17 per cent in the half-year.

Details, Page 22

Racal set to win flotation vote and C&W sells stake

By Hugo Dixon in London

The management of Racal is likely to win approval next week for its disputed plan to float the UK electronics group's telecommunications subsidiary, an informal poll of shareholders indicated yesterday.

The proposed flotation of 20 per cent of Racal Telecommunications Group, which includes Vodafone, the fast-growing mobile communications operator, has been opposed by Millicom, one of Racal's largest shareholders, which favours a complete demerger.

Separately yesterday, Cable & Wireless, the UK-based international telecommunications group, said it had sold its 2.5 per cent stake in Racal.

The two developments appear to suggest that the management's partial flotation strategy has achieved its objective. When the announcement was made in April, the move was seen as an attempt to ward off predators by boosting Racal's share price.

C&W said in June that it had

bought its stake as a "strategic investment." Sir Eric Sharp, C&W chairman, saw possible synergy in combining Vodafone and Mercury Communications, a C&W subsidiary which operates a conventional telecommunications network in the UK.

C&W yesterday refused to say why it had sold its stake. Analysts speculated, however, that it took the opportunity to make a profit of about £16m (£27m). Smith New Court, the investment house which is also acting as one of Racal's brokers, bought the stake.

Racal management's plans are almost certain to be approved at an emergency general meeting next Tuesday, according to interviews with 14 of the 20 shareholders who hold more than 1 per cent of Racal's stock.

Of these, only one shareholder - apart from Millicom itself - said it was supporting Millicom's proposals. Eight said they were supporting the management, while

four said they would be abstaining or were undecided.

The shareholders who support the management account for about 18 per cent of Racal's equity. The opponents account for 7 per cent if Millicom is included.

Furthermore, Guardian Royal Exchange, which is Racal's largest shareholder with 6.2 per cent, is understood to be supporting the management. The 2.8 per cent stake sold by C&W is now in friendly hands, although it is unlikely that it will be on the register soon enough to take part in the vote.

Many shareholders said they had been persuaded by the logic of Millicom's proposals, but nevertheless decided support what they regarded as Racal's successful management.

Mr Shelby Bryan, Millicom's chairman, said that too few votes were in to determine who had won yet. "Our plan is not to give up before Tuesday," Lex, Page 16

Fisons pays \$53m for Italcimici

By Andrew Taylor in London

FISONS, the UK drugs, scientific and horticulture group, yesterday launched a major expansion in Italy, with the acquisition of Italcimici for \$53.5m (\$83m).

The British company says Italy is the world's fastest growing pharmaceuticals market. Italcimici will continue to make drugs under licence from several large international companies, as well as selling products supplied by Fisons.

Opportunities to expand in the pharmaceuticals industry by acquisitions come very seldom," Fisons said yesterday. "Most companies are too large and

would command too high a price tag, even if they were available."

Italcimici is based in Rome and has a production facility at Pomezia, south of the Italian capital. It made pre-tax profits of £2.6m in 1987, on sales of £11m, and had net assets of £7.8m at the year-end.

Fisons especially wants to increase Italian sales of its anti-asthmatic drug, and Tilde, its new respiratory drug. Fisons said sales of Tilde were growing rapidly in the US and still expanding in some European countries, including Italy.

Tilde is regarded as one of the

most important of Fisons' new generation of drugs. It is already sold in the UK, Ireland, the Netherlands and France.

West Germany granted approval earlier this month, and Fisons expected it to be cleared by Italy early next year.

Italy, with sales of \$5.3m in 1986, is the world's fifth largest pharmaceutical market, according to Fisons. Until now the company has had a very small presence in the country, operating through a sales staff of only about 30 - a number that will be more than quadruple with the purchase of Italcimici.

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- Profit before tax up 25%
- Earnings per share up 20%
- Substantial progress towards growth targets
- Heavy investment in specialist access and fire sectors
- Strong recovery in contracting and building services
- Continued growth in geophysical services

	Six Months Ended 30 June 1988 £000	Six Months Ended 30 June 1987 £000	Year Ended 31 Dec 1987 £000
Turnover	284,535	248,758	541,319
Operating Profit	12,289	8,507	21,452
Profit before Tax	11,743	9,405	23,553
Profit after Tax	7,633	6,535	16,365
Earnings per Share	11.3p	9.4p	24.4p
Ordinary Dividend	3.5p	2.7p	11.5p

The abridged profit and loss account for the year 1987 is an extract from the latest published accounts which have been delivered to the Registrar of Companies; the audit report for these accounts was unqualified.

Copies of the full Interim Report may be obtained from The Secretary

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INTERNATIONAL COMPANIES AND FINANCE

Hoechst

Aktiengesellschaft

Report on the 1st half year 1988

Continuing upward trend in the chemical industry. The 2nd quarter 1988 saw a continuation of the favourable business conditions in the chemical industry worldwide. The growth mainstays were, in particular, plastics, organic base chemicals and specialities.

Hoechst, too, has enjoyed considerable success with these products. Compared with the 1st half of the previous year, when business, however, was somewhat slack, sales and earnings have shown a marked improvement.

Hoechst Group increases sales to DM 20 billion. During the 1st half of 1988 Group sales rose to DM 20 billion and thus exceeded the previous year by 11.4 per cent. At 7.0 per cent, growth in the Federal Republic of Germany was somewhat lower than abroad, where a level of 12.9 per cent, was achieved.

When comparing sales abroad with the previous year it must, however, be borne in mind that in 1987 we did not start to consolidate the former Celanese Corporation until March and that we sold Berg, Jensen & Nicholson Ltd. at the end of the year.

Adjusted for these special influences, Group sales abroad rose by 10.3 per cent, and total sales by 9.3 per cent.

This encouraging development is also reflected in profit. Group profit before taxes on income increased by more than 30 per cent, to DM 1,944 billion. Profits of Hoechst AG and Hoechst Celanese Corporation have clearly exceeded expectations.

Hoechst AG also strong in the domestic market. In Hoechst AG, sales in the 1st half-year amounted to DM 7.9 billion, 16.3 per cent more than in the same period last year. Sales in the Federal Republic of Germany improved by 11.6 per cent to DM 3.5 billion. Growth in export sales was even as high as 20.1 per cent.

These growth rates reflect the fact that for the first time we are including the sales of the former Rohm and Haas AG. Subsequently, Hoechst AG with retrospective effect from 1 January 1988. However, even without this special influence, sales growth in Hoechst AG would still have reached double figures, namely 10.4 per cent.

In general, our selling prices have remained at the previous year's level. However, prices of plant production agents are still subject to strong downward pressure. In France, too, the price level of the previous year has not yet been reached. The raw material prices have risen this year on a wide scale.

Capacity utilisation at our production plants is even better than in the previous year; some plants are at the limits of their capacity.

Sales growth and decreasing costs are producing a favourable earnings situation in the divisions. Profit of Hoechst AG before taxes on income rose to DM 992 million, i.e. DM 168 million or 26.8 per cent more than in the 1st half of last year.

Foundations for a successful year already laid. With the encouraging result of the 1st half-year we have laid a solid foundation for success over the year as a whole. In view of the high level of orders on hand, we are extremely confident as regards the subsequent development during the year. We, therefore, expect that 1988 will be even better than the previous year, which itself was a good one.

Report on the 1st half-year 1988 (unaudited)

1. Hoechst Group Sales (DM million)		1st half-year 1988		1st half-year 1987		Changes	
		1988	1987	absolute	in %		
Total		19,960	17,920	+2,040	+11.4		
Federal Republic of Germany		4,500	4,000	+500	+12.5		
Abroad		15,460	13,920	+1,540	+11.1		
Profit before taxes on income							
In DM million		1,944	1,482	+462	+31.2		
In % of sales		9.7	8.3				
2. Hoechst AG Sales (DM million)		1st half-year 1988		1st half-year 1987		Changes	
		1988	1987	absolute	in %		
Total		7,928	6,818	+1,110	+16.3		
Federal Republic of Germany		3,467	3,100	+367	+11.8		
Abroad		4,461	3,718	+743	+20.0		
Export share in %		56.3	54.5				
Profit before taxes on income							
In DM million		932	744	+188	+25.3		
In % of sales		11.7	10.9				
Employees							
Personnel expenses (DM million)		2,283	2,090	+193	+9.2		
(excluding pension funds)							
Number of employees on 30.06		63,286	61,074	+2,212	+3.6		

1) without Hoechst AG - 0.1%
2) without Hoechst AG - 0.9%

Frankfurt am Main, August 1988

Special factor hits KLM in first period

By Laura Rawn in Amsterdam

KLM ROYAL Dutch Airlines yesterday announced a 13 per cent drop in profits in the first quarter of fiscal 1988-89 because the year-earlier earnings were boosted by aircraft sales.

Net income fell to Fl 106.5m (\$48.8m) in the quarter ended June from Fl 121.9m in the like period of 1987-88 when a Fl 26.5m gain was booked from the sale of three DC-9s.

The national flag carrier, which is 59 per cent owned by the Dutch Government, repeated its position on a possible joint venture to the annual shareholders meeting yesterday.

KLM is in regular contact with a number of potential partners about joining forces to better compete or fend off hostile takeover attempts, but it refuses to disclose names.

Non-consolidated companies swung to a loss of Fl 8.5m from a profit of Fl 1.7m in the year-earlier period, mostly due to technical changes in accounting methods. But some of the red ink is believed to be due to various hotel strikes.

Last month Mr J.F. De Soet, chairman of KLM, said the company wanted to spin off some of its hotel activities in order to concentrate on its core operations of air transport. Last year the hotels as a whole lost money.

Profit margins nevertheless widened in the first quarter due to a slightly higher load factor on KLM's aircraft - the seats and stowage filled out of possible total. A greater number of passengers in more expensive seats and on more remunerative routes also was credited.

Total revenue rose 7 per cent to Fl 1,242m from Fl 1,168m, thanks to good growth in passengers and freight.

Overall costs increased a more modest 5 per cent to Fl 1,352m from Fl 1,235m, fuelled by a big decline in equipment maintenance costs.

KLM, which reported a net profit of Fl 314m in the financial year to end-March compared with Fl 301m in the previous year, said recently it would make its first tax reserve since World War Two.

Schneiders program expansion
Andrew Fisher on the ambitions of a German computer group

For Schneider Rundfunkwerke, the fast-growing West German electronics company which recently ended its fruitful partnership with Amstrad of the UK, 1988 is turning out to be a crucial year.

Not only has Schneider taken the bold step of producing its own computers instead of putting its name on South Korean products developed jointly with Amstrad, but it also intends to buy the other half of Dual, the loss-making West German record player company in which it acquired a 50 per cent stake at the start of this year.

Based near the sedately attractive spa town of Bad Wiblingen in rural Bavaria, Schneider last year achieved a turnover of DM250m (\$100m) in computers. This year it aims to repeat this, as production of its new and more up-market computers moves up to around 25,000 a month in the autumn.

Total turnover last year was DM720m, a rise of 17 per cent, with net profits rising by 15 per cent to DM31m. Mr Bernhard Schneider, managing director and owner with brother Albert of 75 per cent of the company (part was floated to the public nearly two years ago), says turnover this year should stay around the 1987 level, bearing in mind the start-up efforts needed for the new computer range.

Next year, however, Schneider hopes to start pushing towards DM1bn, with profits again growing correspondingly. "Up to the mid-1990s, computers should make up at least half our total turnover," says Mr Schneider. According to Mr Hans-Juergen Thum, the finance director, the company has the DM1bn turnover mark in its sights for 1990 and could just achieve this in 1989, if all goes well on the export front.

Schneider decided to make its own computers - it still imports the monitors and disks - to reduce the threat from copycat products, and thus gain an edge over products from the Far East. "The time

advantage is vital for new products," notes Mr Schneider. "Everyone is so quick to copy." To have products made in the Far East, planning needs to be done six months ahead. "Here, it can be done in two or three months."

Schneider's cheapest new computer is the Euro PC, aimed partly at beginners and costing DM1,300. The more advanced Tower PC, capable of DM22m capital investment was devoted, it can overcome the difference in labour costs.

"With very modern manufacture and products such as televisions or computers where labour costs make up around 10 per cent of the total - that's where the limit is for us - it is well worth producing in Germany."

Schneider, restricted mainly to German-speaking countries

growth. "But he is one of many."

The German company hopes to capitalise on its improved flexibility and its newly developed knowledge in computers. It has also been helped by Siemens' expansion into 1 megabit memory chips, now in world shortage, which Schneider uses in its Tower PC. "Without Siemens, we couldn't have done this," says Mr Schneider. "We would have had to go to the black market or the Japanese."

Siemens and Schneider are similar in that neither wants to see more industrial capacity lost to the Far East. "We shouldn't let more (engineering and electronic output) go, but should try and bring some back," says Mr Schneider. Thus, the company also aims to rebuild the reputation of Dual, a once flourishing company whose turnover is now only DM70m a year.

It has the rest of this year to exercise its option to buy the rest and intends to do so. Dual, bought by Thomson of France after a financial collapse six years ago, is still "an excellent name" in the German audio market, feels Mr Schneider.

As well as building up Dual's product range, Schneider also wants to use its capacity to help expand in computers. (Two Schneider computers, including a portable, are still in use in Asia). It expects Dual to return to profit in 1989 after breaking even this year.

In German investment circles, Schneider is highly regarded as an innovative company with above average growth rates. After its drive in the computer sector, it plans what Mr Schneider, declining to reveal more, calls "a fantastic new product" in the audio field.

Realistically, he admits that not all ideas succeed. Whether or not this one does, and whether or not consumers take to the new computers - the company says this initial response has been good - Schneider is likely to remain a strong talking point among investors.



Bernhard (left) and Albert Schneider: DM1bn sales target

extension and designed for more sophisticated users, costs DM2,500 in its basic form and more than DM8,000 with additional features. Both are attractive in appearance - "we have gone for a chic fashion-oriented design" - and more up-market than those it sold previously.

Because of the greater flexibility obtained by building its own products, the company could live with a cost level of up to 5 per cent above that of Far Eastern production, Mr Schneider says. Through a high level of automation, to which most of last year's

under its deal with Amstrad, intends eventually to export half of its computer output, concentrating first on France, it still has to clear up use of the Schneider name, as there is a French company of the same name, though not in computers.

One of Schneider's competitors will be Amstrad itself, now developing its own German sales effort. "In Alan Sugar (the head of Amstrad), we have our most serious competitor," notes Mr Schneider, who expects to carry and admiration for the UK company's rapid

Porsche to reduce US sales 25%

PORSCHE, the West German sports car group, plans to cut its US sales by 25 per cent in the 1988/89 model year, said Mr Hans Halbach, management board member in charge of sales, Reuters reports from Ludwigsburg.

Mr Halbach said the cut in US sales to around 17,300 cars in the year started August 1, from 23,000 last year would provide some of the 309 Porsche dealers there seriously to consider giving up the franchise.

The 1988/89 figures comprised 15,000 new deliveries to the US and cars already stockpiled there.

Porsche, which has sold around half of its cars in the US since the 1950s, has seen sales there drop from around 30,000 in recent years. The dollar's fall since 1985 has made the cars more expensive, especially compared with Japanese vehicles.

Porsche's financial performance also suffered as a result, with net profits falling to DM51.9m in the year to July 31, 1987, from DM75.3m the year before. The dividend on preference shares was cut to DM1.10 from DM1.20.

However, Mr Halbach said the company made a profit in the 1987/88 business year and would pay a dividend to shareholders.

Porsche had decided to cut its US sales due to the unfavourable market situation there for European car manufacturers, caused by the weak dollar, and buyer caution since the October stock market crash.

Porsche was upgrading the performance and fittings of its four-cylinder models, partly to combat growing competition from Japan which was making inroads into the lower end of the sports car market, Mr Halbach said.

But he expressed no alarm at the Japanese presence in the sports car market. "I am not scared because we are the company which builds sports cars which are practical and reliable in daily use," he said.

He said many Japanese sports cars were built on a sedan chassis, were well-equipped and looked good. "But they are not sports cars in that they are not conceived, designed or engineered as such," Halbach said.

The cut in US sales and the move to the more profitable luxury car market was leading dealers there to consider if it was worthwhile for them to keep their franchises and some would not be able to meet the new operating standards, he said.

He declined to say how many dealers would give up franchises. He said Porsche did not have a master plan for dealing with many dealers it defined in the US in the future.

Ausimont sells two carpet units

By John Wyles in Rome

AUSIMONT, the specialty chemicals subsidiary of Italy's Montedison Group, yesterday sold two carpet tile manufacturing companies to Interface, a Georgia-based flooring and office equipment group, for more than \$150m.

The Netherlands-based company said that the deal, which will be completed on September 2, had been under consideration for a year and was quite independent of the study it is currently making with the Morgan Stanley merchant bank on how best "to maximise shareholder values." This is commonly understood to mean that it is ready to be taken

over for the right price.

The two subsidiaries falling under US control are Heuga and Pande, both modular carpet manufacturers in the Netherlands, the UK, Australia, the US and Canada. Their combined sales last year were \$230m.

In addition to \$150m in cash, Ausimont will receive an option to purchase 100,000 Interface class A common stock at a \$4 discount to current market prices. The closing price on the Nasdaq exchange on Wednesday was \$4.25.

Interface has also agreed to repay certain intercompany

debts, the value of which was not disclosed yesterday.

Interface's sales will almost double after the acquisitions are completed. The company reported net profits last year of \$67m on sales of \$97m.

The agreement falls into the pattern of widespread asset sales across the Montedison Group as its president, Mr Raul Gardini, seeks to concentrate on core businesses and to pay off the group's \$3,000bn (\$6,655bn) debt. Deals already made or in the pipeline could bring the debt burden down to \$1,000bn by the end of next year.

Privatbanken lifts profit by 38% at six months

By Our Copenhagen Correspondent

PRIVATBANKEN, Denmark's third biggest commercial bank, yesterday announced an impressive performance for the first six months of 1988, recording a 38 per cent rise in group earnings before depreciation to DKK1,628m (988m) from DKK1,182m a year earlier.

The balance sheet total was up by DKK1,818m (against DKK1,967m in the first half of 1987), with profit on ordinary operations before expenses at DKK1,628m (DKK1,328m) and net interest income at DKK1,228m (DKK1,092m).

Adjustment of securities to market value went into surplus at DKK423m, compared to a DKK 37m loss reported a year ago.

Privatbanken said it confidently expected the increase in net earnings to continue in the second half of this year, although at a more modest level, paving the way for a greatly improved result for the whole year. In 1987, the group recorded a DKK285m profit before tax.

Andelsbanken Danabank, the fifth largest Danish bank, also reported an encouraging first-half result, with profits on ordinary activities before expenses at DKK1,228m, a 9 per cent improvement over last year's interim result.

Andelsbanken's balance sheet total for the first six months of 1988 stood at DKK2,318m (DKK1,916m) and earnings before depreciation were DKK522m (DKK478m), an 11.3 per cent increase.

Andelsbanken's profit gains were attributed to net earnings on interest and commission - up by DKK128m to DKK161m - and foreign exchange transactions, which yielded a profit of DKK167m against DKK122m in the first half of 1987.

The latest half-year result includes Hellerup Bank, a leading suburban Copenhagen bank taken over in January.

Andelsbanken expects a good year in 1988, with growth projected to continue at home and abroad.

Beiersdorf bids \$57m for US tape company

By Our Financial Staff

BEIERSDORF, a West German cosmetics and pharmaceuticals company, yesterday offered to buy Technical Tape, a New York state adhesive tape producer, for \$16 a share cash or a total of \$57m.

The offer expires later today. In a letter to Technical Tape, Beiersdorf said the acquisition was contingent on the termination of the US company's merger agreement with Dainippon Ink & Chemicals of Japan.

The acquisition, through an indirect wholly-owned subsidiary, commenced a \$1.75 a share tender offer for Technical Tape last month. Technical Tape said it is reviewing it with its financial and legal advisers.

YUKONG LIMITED
(Incorporated in the Republic of Korea with limited liability)

NOTICE
to the holders of the outstanding U.S. \$20,000,000 3 per cent. Convertible Bonds due 2001 of YUKONG LIMITED (the "Bonds" and the "Company" respectively)

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Company has authorized the granting to holders of its shares and to its employees of rights to subscribe for shares in the Company. The record date for such granting to holders of its shares will be 27th August, 1988 and such rights will be exercisable during the period from 17th October, 1988 to 19th October, 1988, both inclusive. The date for such granting to its employees will be 28th August, 1988. In addition, the Company has authorized a free distribution of shares in the Company. The record date for such free distribution will also be 27th August, 1988. The free distribution of shares will result in an adjustment to the current Conversion Price of \$49.96 and the Company anticipates that the granting of rights to subscribe for its shares will result in further adjustments to such Conversion Price. Notice of the adjusted Conversion Price will be given to holders of the Bonds after 28th August, 1988, the date on which it becomes effective.

12th August, 1988 Yukong Limited

PRELIMINARY NOTICE TO HOLDERS OF BONDS

THE MITSUI TRUST AND BANKING COMPANY, LIMITED

U.S.\$100,000,000 2% PER CENT CONVERTIBLE BONDS 2001

ADJUSTMENTS OF CONVERSION PRICE

Pursuant to Clause 7 (b) of the Trust Deed between The Mitsui Trust and Banking Company, Limited (the "Bank") and Bankers Trustee Company Limited, as the Trustee, dated 30th September 1984, you are hereby notified as follows:

The Bank will make public offerings of convertible debentures (date of issue: 22nd August, 1988 (Japan time)) and new shares (date of issue: 23rd August, 1988 (Japan time)) in Japan, and a free distribution of shares (record date: 30th September, 1988 (Japan time)).

The Conversion Price of the Bonds will be adjusted pursuant to Condition 5 of the Bonds. The further detail of such adjustments will be published on or after 23rd August, 1988.

Bankers Trustee Company Limited
as Trustee for and behalf of
The Mitsui Trust and Banking Company, Limited

Dated: 12 August, 1988

BRITANNIA BUILDING SOCIETY

£50,000,000

Floating Rate Notes Due 1993

In accordance with Condition 2(c) of the terms and conditions of the Notes, notice is hereby given that for the two month Interest Period from (and including) 10th August, 1988 (and including) 10th October, 1988, the Notes will carry a Rate of Interest of 11% per cent. per annum.

The £50,000,000 Floating Rate Notes Due 1993 of the Society issued on 10th August, 1988 will be consolidated and form a single series with the £25,000,000 Floating Rate Notes Due 1993 of the Society issued on 8th November, 1988 and the further £25,000,000 Floating Rate Notes Due 1993 of the Society issued on 8th July, 1988 and form a single series with the £150,000,000 Floating Rate Notes Due 1993 of the Society.

Head Office: London
Agent Bank: Citibank Limited

Wells Fargo & Company

U.S. \$200,000,000

Floating Rate Subordinated Capital Notes due 1998

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 12th August, 1988 to 14th November, 1988 the Notes will carry an Interest Rate of 8 3/4% per annum.

Interest payable on the relevant Interest Payment Date on 14th November, 1988 will amount to US\$228.47 per US\$1,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

Shawmut Corporation

U.S. \$50,000,000

Floating Rate Subordinated Notes Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 9 3/4% and that interest payable on the relevant Interest Payment Date November 14, 1988 against Coupon No. 15 in respect of US\$10,000 nominal of the Notes will be US\$235.00

August 12, 1988, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

IBNL

Banca Nazionale del Lavoro

(Incorporated as an Istituto di Credito in the Republic of Italy)

London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 13 has been fixed at 8.875% p.a. and that the interest payable on the relevant Interest Payment Date, November 14, 1988 in respect of US\$10,000 nominal of the Receipts will be US\$231.74 and in respect of US\$250,000 nominal of the Receipts will be US\$5,793.40.

August 12, 1988, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

Midland Bank plc

(Incorporated with limited liability in England)

£250,000,000

Subordinated Floating Rate Notes 2001

Notice is hereby given that the Rate of Interest has been fixed at 11.425% p.a. and that the interest payable on the relevant Interest Payment Date, November 11, 1988 against Coupon No. 10 in respect of £5,000 nominal of the Notes will be £143.44, and in respect of £50,000 nominal of the Notes will be £1,434.36.

August 12, 1988, London
By: Citibank, N.A. (CSSI Dept), Agent Bank **CITIBANK**

Banco Di Napoli International S.A.

U.S. \$150,000,000

Floating Rate Subordinated Notes due 1997

For the six months 11th August, 1988 to 13th February, 1989 the Notes will carry an Interest rate of 9 3/4% per annum with a coupon amount of U.S. \$47.18 per U.S. \$10,000 Note, payable on 13th February, 1989.

Head Office: London
Agent Bank: Citibank Limited

Mortgage Intermediary Note Issue (No. 1) Amsterdam B.V.

For the three month period from 11th August, 1988 to 11th November, 1988 the Notes will bear interest at the rate of 11 3/4% per annum per annum.

The Coupon amount per £25,000 Note will be £736.47 payable on 11th November, 1988.

Morgan Grenfell & Co. Limited
Agent Bank

Interest Rate Change

Allied Irish Banks plc announces that with effect from close of business on 11th August 1988, its Base Rate was increased from 10 1/2% to 11% p.a.

Allied Irish Bank

Head Office - Britain: 64/66 Coleman Street, London EC2R 5AL. Tel: 01-588 0691 and branches throughout the country.

Handwritten signature or scribble at the bottom of the page.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Wall Street shakeout hits \$ issues

By Dominique Jackson

EURODOLLAR bonds were marked down sharply in previous, largely professional business yesterday in line with the bearish trend of the US Treasury market.

the market to pick up decent quality paper at bargain prices. In the absence of any concrete news on imminent new issues, rumours started to circulate again yesterday of a substantial dollar straight bond issue for the European investment bank.

prices opened markedly lower in the wake of Wednesday's Treasury bond sell-off but later received a boost from the market's recovery against the dollar on the foreign exchanges.

Bank of Commerce. The 10-year deal was pitched at 5% per cent and 100%.

Treasury positive over EC capital flow

By Simon Holberton, Economics Staff

PLANS to liberalise capital flows throughout the European Community in 1993 should enhance competition among the providers of financial services and lead to less costly finance for investment.

Acquisition helps profits surge at BTR Nylex

By Chris Sherwell in Sydney

A STRONG three-month contribution from newly acquired ACI and improved performance from existing businesses have produced a strong profit surge at BTR Nylex, the 68 per cent-owned Australian subsidiary of BTR of the UK.

But it also pointed out that all major market sectors had contributed to the result, with "substantial" increases in profit at every level of contribution.

Two-thirds of the group's overall sales came from the housing and construction sector (about 30 per cent), packaging (21 per cent) and the automotive sector (13 per cent).

Brunei National Bank closure claims settled

THE BRUNEI Government and Tan Sri Khoo Teck Puan, the Malaysian financier, have settled claims arising from the closure of the Khoo-controlled National Bank of Brunei, AP-DM reports from Singapore.

Moody's to review mortgage

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, which triggered controversy on Wednesday in the UK mortgage-backed securities market by publishing an unrequested review of the issue launched in February, said yesterday it would review the issue for possible upgrading.

significantly lower than the AA assigned by Standard & Poor's (S&P), the other major rating agency and the market leader in rating mortgage issues.

with Moody's to address certain concerns about the rating agency has in relation to the notes which would thereby qualify the securities for higher ratings.

Arab Banking profits up

By Our Financial Staff

ARAB BANKING Corporation, Bahrain's largest offshore banking group, reports a near 20 per cent increase in pre-tax profits for the first half of 1988.

Big gain by HK hotels group

By Michael Murray in Hong Kong

HONG KONG and Shanghai Hotels, the company controlled by the Kadoorie family and owners of the prestigious Peninsula Hotel, yesterday reported pre-tax profits of HK\$174m (US\$22.5m) for the first half of 1988, an increase of 33 per cent over the previous year.

Amatil buys stake in Fortronic

By Our Financial Staff

AMATIL, the Australian tobacco, snack food and soft drink group, has acquired 31.5 per cent of Fortronic Technology of the De la Rue group of the UK.

Swedish options markets in reverse

By Sara Webb in Stockholm

ONE OF the two Swedish options markets, suffered a severe setback in the first six months of the year with profits taking an almost 50 per cent tumble due to a drop in premium and commission income.

Jersey bank agrees to Swiss takeover

By Stephen Fidler

THE ONLY remaining independent bank in the Channel Islands, Jersey Commercial Bank (Jersey), has agreed to be taken over by Swiss Bank Corporation, one of Switzerland's big three banks.

Swedish options markets in reverse

By Sara Webb in Stockholm

OM, ONE OF the two Swedish options markets, suffered a severe setback in the first six months of the year with profits taking an almost 50 per cent tumble due to a drop in premium and commission income.

started to affect their operations. It claimed that some companies had started to scale down their options business ahead of the new turnover tax coming into force.

International business has only accounted for SKR16.7m in income so far this year.

Jersey bank agrees to Swiss takeover

By Stephen Fidler

THE ONLY remaining independent bank in the Channel Islands, Jersey Commercial Bank (Jersey), has agreed to be taken over by Swiss Bank Corporation, one of Switzerland's big three banks.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Maturity, Coupon, and Price. Includes entries like STANBACH, STANBACH, STANBACH, etc.

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Listed are the latest international bonds for which there is an adequate secondary market.

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Advertisement for CHEMFAIR '88 THE INTERNATIONAL CHEMICAL EVENT OF THE YEAR! 11-13 OCTOBER Heathrow Penta Hotel, London, U.K.

Advertisement for Commercial Aviation to the End of the Century 30, 31 August & 1 September, 1988

Advertisement for FIRST CHICAGO CORPORATION US\$200,000,000 Floating Rate Subordinated Capital Notes Due 1997

Advertisement for DOME PETROLEUM LIMITED Notice is hereby given to the holders of the U.S. \$75,000,000 Floating Rate Notes due 1988.

Advertisement for CAPITAL MARKETS WORKSHOP 19-20 SEPTEMBER - 27-28 OCTOBER

Advertisement for CHEMICAL BANK As Agent Bank for First Chicago Corporation

Advertisement for DOME PETROLEUM LIMITED (continued)

Advertisement for CAPITAL MARKETS WORKSHOP (continued)

Large table with columns for Bond Name, Issued, Maturity, Coupon, and Price. Includes entries like STANBACH, STANBACH, STANBACH, etc.

PriceWaterhouse

FT FINANCIAL TIMES CONFERENCE ORGANISATION

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NEW ISSUE

11th August, 1988



BANDO CHEMICAL INDUSTRIES, LTD.

U.S.\$50,000,000

3 7/8 per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Bando Chemical Industries, Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Industrial Bank of Japan, Limited

Issue Price 100 per cent.

Nomura International Limited

- | | |
|---|--|
| IBJ International Limited | Taiyo Kobe International Limited |
| Deutsche Bank Capital Markets Limited | Mitsubishi Finance International Limited |
| The Nikko Securities Co., (Europe) Ltd. | Julius Baer International Limited |
| Banque Bruxelles Lambert S.A. | Barclays de Zoete Wedd Limited |
| Daiwa Europe Limited | Kleinwort Benson Limited |
| KOKUSAI Europe Limited | Merrill Lynch International & Co. |
| Morgan Stanley International | New Japan Securities Europe Limited |
| Salomon Brothers International Limited | Swiss Volksbank |
| Wako International (Europe) Limited | Yamaichi International (Europe) Limited |

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NEW ISSUE

11th August, 1988



SHIKIBO LTD.

(Shikishima Boseki Kabushiki Kaisha)

U.S.\$80,000,000

3 7/8 per cent. Guaranteed Bonds 1992

with

Warrants

to subscribe for shares of common stock of SHIKIBO LTD.

The Bonds will be unconditionally and irrevocably guaranteed by

The Daiwa Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

Daiwa Bank (Capital Management) Limited

- | | |
|--------------------------------------|--|
| LTCB International Limited | Barclays de Zoete Wedd Limited |
| Cosmo Securities (Europe) Limited | KOKUSAI Europe Limited |
| Kyowa Finance International Limited | Merrill Lynch International & Co. |
| Mitsui Finance International Limited | Salomon Brothers International Limited |
| Sanyo International Limited | SBCI Swiss Bank Corporation Investment banking |

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

11th August, 1988



YOKKAICHI WAREHOUSE COMPANY LIMITED

U.S.\$60,000,000

3 7/8 per cent. Guaranteed Bonds 1992

unconditionally and irrevocably guaranteed by

The Mitsubishi Bank, Limited

with

Warrants

to subscribe for shares of common stock of Yokkaichi Warehouse Company Limited

Issue Price 100 per cent.

Nomura International Limited

- | | |
|--|---------------------------------------|
| Mitsubishi Finance International Limited | IBJ International Limited |
| Mitsubishi Trust International Limited | Okasan International (Europe) Limited |
| Wako International (Europe) Limited | Barclays de Zoete Wedd Limited |
| Credit Suisse First Boston Limited | KOKUSAI Europe Limited |
| Merrill Lynch International & Co. | Morgan Stanley International |
| Ryoko Securities (H.K.) Limited | Tokai International Limited |

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

11th August, 1988



KAMIGUMI CO., LTD.

U.S.\$100,000,000

3 7/8 per cent. Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Kamigumi Co., Ltd.

Issue Price 100 per cent.

Nomura International Limited

- | | |
|---|---|
| Sanwa International Limited | Sumitomo Finance International |
| Taiyo Kobe International Limited | Barclays de Zoete Wedd Limited |
| Daiwa Europe Limited | Robert Fleming & Co. Limited |
| Merrill Lynch International & Co. | The Nikko Securities Co., (Europe) Ltd. |
| Salomon Brothers International Limited | Swiss Volksbank |
| Yamaichi International (Europe) Limited | |

UK COMPANY NEWS

Smith & Nephew profits hit by strong pound

By Clare Pearson

AN IMPROVED performance in the second quarter helped pre-tax profits of Smith & Nephew, international medical and healthcare group, advance 18 per cent to \$24.5m at the interim stage.

But this was still sharply lower than the acquisition-assisted 30 per cent increase in the same period last year, and below the company's traditional 20 per cent-plus growth rate.

The strength of sterling has been mainly to blame: the company said a sales advance of six per cent to \$267.1m was nine percentage points lower than it would have been at constant exchange rates.

Nevertheless, the underlying performance of all overseas operations was said to be buoyant, with the US the high point.

There, the surgical gloves operation was able to bring increased production capacity to bear on a booming market, while Richards, the joint and surgical implant maker acquired in 1986, improved market share.

New production facilities for generic pharmaceuticals have been approved by the US Food and Drug Administration, and this division is expected to show a "very significant" improvement in the second half.

In the UK, the strong pound hit exports of dentin and also the competitive position of

healthcare products, which were already under pressure from the National Health Service squeeze. But the toiletries division, which has been added to by this week's \$33m acquisition of Albion, showed satisfactory growth helped by the relaunch of Nivea skin-care products.

France was described as the best performer in the European region, where group operations continued to benefit from the integration of services and distribution with Richards companies.

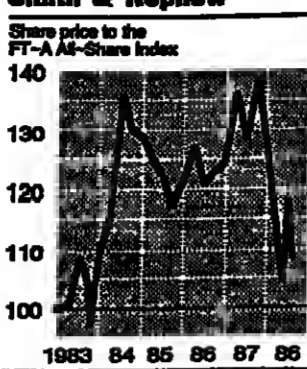
The group's cost of borrowings almost all of which is denominated in dollars, rose to \$1.1m (20.5m), swelled by acquisitions last year.

A tax charge of \$18m showed the group still benefiting from a low effective rate for Richards, but the company warned it would be higher next year. Earnings per share were 3.89p (3.59p). The 11 per cent increase is mirrored in the interim dividend of 1.55p.

COMMENT

The market is still trying to work out how to rate Smith & Nephew, which - hit by NBS cuts and reorganisation problems - reared up its premium for consistent growth with results for the fourth quarter last year. Now that the company is so much bigger and more international than it was in the mid-80s, memories

Smith & Nephew



of predictable 20 per cent earnings per growth should really be finally laid to rest. These results certainly showed an improvement on the first quarter, with pre-tax margins - helped by the US surgical gloves operation - coming out about two percentage points higher. The company is positioned in some attractive markets: demand for generic pharmaceuticals and surgical gloves is growing strongly, while it has to make sense to manufacture orthopaedic equipment as the population ages. Nevertheless, the prospective p/e at 13.5 (assuming pre-tax profits of about \$23m this year) could in theory be lower; on the other hand, an analysts' visit to the US next week should provide support.

Monet and others help Sotheby's up to \$32m

By Vanessa Houlder

SOTHEBY'S HOLDINGS, the international auction group, yesterday announced results for the first quarter completed since it was floated on both the New York and London stock markets in May.

Major sales, such as those of the Andy Warhol collection and Monet's *Dans la prairie* helped net income for the second quarter to June 30 move ahead 29 per cent from \$24.5m to \$31.7m (\$18.64m). Operating revenue moved ahead from \$105.5m to \$116.5m.

Mr Michael Ainslie, president and chief executive of Sotheby's Holdings which is the parent company of Sotheby's international auction, finance and real estate operations, described the results as very pleasing.

The autumn season was promising, he said, with Elton John's art and memorabilia collection on sale in London in September and works of Frans Hals, El Greco, Gainsborough, Picasso, Degas and Renoir up for auction in New York and London. He was encouraged by the number and quality of auction consignments received to date.

For the six month period to June 30, net income increased by 27 per cent to \$36.7m (\$23.8m) on operating revenue of \$171.7m (\$147.4m). The auction operations contributed operating profit of \$65m for the first six months, up 9 per cent on last year, on sales up by 17 per cent to \$582.5m.

This growth was principally due to the North American salerooms. The sale in May of Impressionist paintings in New York totalled \$124.5m. Six works of art sold for more than \$5m each, 19 sold for more than \$1m each, while nine artists' records were set.

Operating revenue from the financial services operation, which provides art-related financing to collectors, was \$6.5m (\$5.5m) while operating profit almost trebled to \$1.9m for the six month period.

The real estate operations reduced operating revenue by 40 per cent to \$18.3m and posted an operating loss of \$982,000 for the six months. In an effort to stem the losses, Sotheby's has restructured its newer operations and reduced operating revenue by 40 per cent to \$1.2 (\$0.95) and for the first half to \$1.31 (\$1.15). The dividend per common share is \$0.0685 for the second quarter and \$0.045 for the first six months.

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Oil majors show mixed fortunes at interim stage R.Dutch/Shell at £1.56bn but second quarter well below City expectations

By Steven Butler

ROYAL DUTCH/Shell, the international oil group, yesterday reported a five per cent increase in second quarter net income to \$577m, on a replacement cost basis.

The results came in far below market expectations and Shell Transport and Trading shares in London fell 29p to close at 210 1/4.

On a historical cost basis earnings fell by four per cent to \$538m. Analysts had expected reported earnings in the range of \$600m to \$650m.

For the first half of the year, however, Shell was still eight per cent ahead with historic cost income of £1.46bn. On a replacement cost basis this came to £1.56bn, a 27 per cent improvement.

Cash flow in the first half also improved strongly, from £2.4bn to £2.9bn.

The cause of the dull performance came in Shell's oil exploration and production efforts, where profits fell by nearly half to £194m, compared to \$365m in the second quarter of 1987. The group's equity overall rose 1.7m barrels a day, while natural gas sales slipped by 9 per cent to 5.5m cubic feet a day.

Outside the US, earnings declined due to lower oil prices, higher tax payments, and higher exploration expenses which, Shell said, was caused by a higher level of exploration activities. In the US the weakened dollar along

with low prices and reduced production combined to cut earnings from \$48m to \$14m.

Shell's manufacturing, marine and marketing earnings, however, moved sharply forward, with net profits of \$218m compared to \$167m on a historic basis. On a replacement cost of supply basis, these earnings rose by 94 per cent to \$288m.

The sales volume of oil products rose by 3 per cent to 4.8m barrels a day. Margins were higher throughout the downstream sector, particularly in the historical earnings increased by 53 per cent to \$26m in spite of the explosion at Shell's Norco refinery. The refinery is scheduled to be fully opera-

tional in September with the exception of a catalytic cracking unit which was severely damaged.

Chemicals earnings grew by 31 per cent in the quarter to \$245m, with inventory costs having little effect. Outside the US net profits rose by 56m to \$195m. This resulted from higher volumes and improved margins. Petrochemical sales volumes were 14 per cent higher.

US chemicals earnings virtually stood still at \$22m, with higher margins offset by the effects of the Norco refinery explosion.

Shell said it would announce an interim dividend on September 15. See Lex

BP after-tax profits up 25% to £731m

By Max Wilkinson, Resources Editor

BRITISH PETROLEUM yesterday increased its interim dividend from 4.5p to 5p per share, after reporting a 25 per cent rise in after-tax profits on a replacement cost basis.

Replacement cost profits for the first half of the year were £731m, compared with £584m for the first half of 1987. The improvements in the first and second quarters of the year were about equal, with the second quarter replacement cost profit this year at £323m compared with £280m in the same period of 1987.

On a historical cost basis, the results for the half looked less good, largely owing to stockholding gains and losses which have followed variations in the price of oil. The after-tax profit on an historical cost basis was £620m, 20 per cent less than in the same period of

1987.

Mr David Simon, managing director, finance, said that overall the company was well satisfied with the result at a time when the movement of oil prices and of the US dollar had been volatile and rather unavourable.

The acquisition of Britoil, the UK independent exploration and production company, at a cost in 1985 of £2,266m, was the major impact on BP's balance sheet, but it did not contribute much to the profit line.

The company said that Britoil would require increased exploration and development expenditure for some time to come, and the favourable effect on BP is to be expected in the medium term.

The group generated funds of £1.14bn, but this figure was

depressed by the \$368m payment for Britoil shares in the period. Mr Simon said that, on an underlying basis, BP was now generating cash at the rate of about \$4m a year.

As a result of lower oil prices, pre-tax operating profit (on a replacement cost basis) from exploration and production was 17 per cent lower this time at £764m. Profits from refining and marketing were down 2 per cent over the period at £310m, although there was a marked improvement in the second quarter as a result of better refining margins.

The group said that margins in the refining and marketing part of the business were expected to come under further pressure in the second half of 1988, but it did not intend to be buoyant the outlook in

the oil and chemicals sectors remained encouraging.

The main contribution to BP's improved result came from its chemicals and minerals operations. In chemicals, the first-half profit was \$260m (208m) reflecting continuing worldwide demand for bulk chemical products. Profits from the minerals operations rose strongly to \$18m (\$7m). This reflected increased efficiency in mining operations and the rise in copper and gold prices in the first half.

Mr Simon said the company remained committed to reducing its debt/debt-plus-equity ratio from the present 38 per cent and would continue to dispose of assets when appropriate. The group would also be looking out for further acquisitions.

See Lex

Panel gives GC & C extension

By Lisa Wood

THE TAKEOVER Panel has granted GC & C Brands, the consortium mounting a hostile bid for Irish Distillers, a seven days extension to decide whether it will raise its 315p offer.

The change in the timetable for the bid is because of the intervention of the European Commission which has complained that the consortium made up of Allied Lyons, Grand Metropolitan and Guinness has contravened EC competition rules by mounting the joint bid.

Under Panel rules the bid for Irish Distillers lapses on August 26 and the bidder has until today to decide whether

or not to revise its offer.

The takeover Panel said the extension, until August 19, would give GC & C Brands a further week in order to argue its case with the EC and continue discussions with the Takeover Panel.

Matters being discussed include the circumstances in which a further bid could be made, and by whom, should the bid lapse. Sources in Brussels have suggested that one of the options being discussed by the consortium is whether one of its three members of the consortium might be able to make a bid by itself.

A formal oral hearing between GC & C Brands and

the EC has been set for August 26, by which time the extension granted by the Takeover Panel will have been passed. It is understood that the Takeover Panel might give GC & C Brands a further extension, to include the August 26 date, should talks between GC & C Brands and the EC not resolve the issues beforehand.

The Takeover Panel said it was not likely at present that the Panel would seek to change its timetable rules in order to take into account EC competition policy as was the case with the Monopolies and Mergers Commission. This might come with the future EC Mergers Directive.

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FALKLAND ISLANDS

The Financial Times proposes to publish a Survey on the above on

7TH OCTOBER 1988

For a full editorial synopsis and advertisement details, please contact:

NIGEL BICKNELL

on 01-248-8000 ext 3447 or write to him at:

Brackley House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

Gestetner Holdings PLC

Ordinary shares

On 4th July 1988, the directors declared an interim dividend of 1p per share in respect of the 53 weeks ending 5th November 1988, payable on 30th August 1988 to holders of Ordinary shares registered at the close of business on 5th August 1988.

Holders of Ordinary shares in bearer form should lodge Coupon 126 at Barclays Bank PLC, The Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH on or after 30th August 1988 for their entitlement to the above dividend.

Ordinary Capital shares

On 4th July 1988, the directors declared a cash dividend of 0.075p per share in respect of the 53 weeks ending 5th November 1988, payable on 30th August 1988 to holders of Ordinary Capital shares registered at the close of business on 5th August 1988.

In addition, holders of Ordinary Capital shares are reminded of their entitlement to scrip in accordance with the formula set out in the Company's Articles of Association. Such entitlement, based upon each Ordinary Capital share held at close of business on 5th August 1988, is as follows:-

based on the average price of 205.294118p for each Ordinary Capital share held, holders will receive 0.0060076 of an Ordinary Capital share

Fractional parts of new shares will be sold for the benefit of the Company Scrip, to be allotted on 19th August 1988, will be despatched to registered shareholders on 26th August 1988.

Holders of Ordinary Capital shares in bearer form should lodge Coupon 126, with allotment instructions, at Barclays Bank PLC, The Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH on or after 30th August 1988 for their entitlement to a cash dividend and Ordinary Capital shares (in registered form) in accordance with the above.

210 Euston Road London NW1 2DA 12th August 1988

R.L.E. Lewis Company Secretary

BAe meeting gives approval for Rover deal

By John Griffiths

AN EXTRAORDINARY meeting of British Aerospace shareholders yesterday approved the company's acquisition of the Government's 62.5 per cent stake in the Rover vehicles group, and the 21 per share offer BAe is making to Rover's estimated 60,000 small, private shareholders.

Prof Roland Smith, BAe chairman, told the London meeting attended by several hundred shareholders, that the buy-out of private shareholders would cost BAe £13.5m. He was, however, criticised by one shareholder for being "too generous."

However, Prof Smith made a strong defence of the offer, partly on the grounds that it offered less might prevent its acceptance by a large number of Rover shareholders.

The offer to private shareholders compares with a price of 2.7p per 50p ordinary share paid to the Government.

Kleinwort Overseas assets increase

Kleinwort Overseas Investment Trust has reported total assets at June 30 1988 of £132.8m, against £113m at December 31 1987. Revenue for the six months to June 30 fell to £2.0m against £2.7m in the comparable period of 1987. After tax of £22,000 (£28,000) earnings per share came out at 1.25p (1.38p).

DIVIDENDS ANNOUNCED

Table with columns: Company, Current payment, Date of payment, Current dividend, Total for year, Total last year. Includes BP, British Petroleum, and others.

Dividends shown in pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. **On capital increased by rights and/or acquisition issues. \$USM stock. \$US quoted stock. #Third market.

BOARD MEETINGS

Table with columns: Company, Date, Time, Location. Lists meetings for various companies like BHP, British Petroleum, etc.

KENT

The Financial Times proposes to publish a Survey on the above on

2nd September 1988

For a full editorial synopsis and advertisement details, please contact:

Rachel Fildesmore

on 01-248-8000 ext 4152 or write to her at:

Brackley House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Notice to holders of BEECHAM FINANCIERING B.V.

U.S. \$30m 6 3/4% Convertible Guaranteed Bonds 1992 ("The Bonds")

Guaranteed by BEECHAM GROUP p.l.c.

REDEMPTION

NOTICE IS HEREBY GIVEN THAT, pursuant to Condition 6 of the Bonds, all Bonds not previously converted will be redeemed on 15th September, 1988 ("the redemption date") at the redemption price of 100% of the principal amount thereof, interest on each Bond will cease to accrue from the redemption date.

Redemption will be at the office of the Principal Paying Agent, Hill Samuel & Co. Limited at 45 Beach Street, London EC2P 2LX, or at the offices of any of the other paying agents specified on the Bonds, upon surrender of each Bond for payment and cancellation, together with all interest coupons maturing subsequent to the redemption date. Coupons due 15th September, 1988 should be detached and presented for payment in the usual manner.

By Order of Beecham Financiering B.V.

Dated: 12th August, 1988

UK COMPANY NEWS

New look Charterhall hits £12.4m in 18 months

By Maggie Urry

CHARTERHALL, the former oil and gas group which is now Mr Russell Goward's UK vehicle, has reported pre-tax profits for the 18 months to end-June of £12.4m. Sales were £31.9m.

The year end had been changed to coincide with the accounting period of Westmer, Mr Goward's Australian company which has nearly 50 per cent of the Charterhall shares. In the year to December 1986 Charterhall made a pre-tax loss of £5.7m.

Mr Goward, chairman and managing director, also announced that Charterhall would pay a dividend of 3p, the first dividend from the company since 1984. Shareholders can opt to take shares instead of the dividend on a 1-for-20 basis.

Earnings per share, after a

£141,000 tax charge and on a weighted average basis, were 4.97p.

Most of the group's oil and gas interests have been, or are being, sold. The US petroleum interests remain, Mr Goward said.

Following the acquisition of Allebone at the end of 1987 the main trading business of the group is now footwear retailing. The purchase of the Lenards shoe retailing chain from Great Universal Stores is due to be completed today, after which group debt will be £30m.

Charterhall's immediate plan is to rationalise its footwear business, closing some of the shops and cutting out duplication of warehousing, buying and head offices.

Further purchases in the sector are likely. This business is cashflow positive, and can

finance its own capital expenditure, Mr Goward said.

The aim was for Charterhall to make an acquisition every year, and that shareholders could also expect annual rights issues, although only after a deal had been done, he said.

The group has a number of stakes in other companies, notably a 20 per cent plus interest in A Goldberg, the Glasgow-based retailer, a 22.1 per cent stake in Bridport Gum-dry, the rope and net manufacturer, and a 10 per cent holding in Coral, the textiles group.

Mr Goward said "we are not stake traders," and emphasised that where a share stake had been built and then sold, Charterhall had been unable to proceed with an amicable bid at a price it was prepared to pay. "I do not like making hostile bids," he said.

Mersey Docks hits £2.58m at midyear

MERSEY DOCKS and Harbour Company reported interim pre-tax profits more than doubled at £2.58m, against £1.26m. At the annual meeting, the company had voiced its confidence for a substantial increase, with the volume of all major commodities handled, except for general cargo, continuing to improve.

Turnover for the six months to the end of June 1988 increased by 3.5 per cent from £25.84m to £26.76m for earnings per 10p share of 12.9p (6.8p).

Mr Bill Slater, chairman, said he looked forward with confidence to reporting a very satisfactory result for the year. He also expected to report what progress had been made with the Government, particularly over the financial reconstruction.

Operating profit came out at £3.12m (£1.96m) and the pre-tax figure was struck after lower net finance charges of £535,000 (£714,000). There was again no tax.

Nordic net assets lower

NORDIC Investment Trust reported a 9.7 per cent fall in net asset value per 10p share to 67.5p at May 31 compared with 75.1p at the same time in 1987.

Income from fixed asset investments for the year to the end of May totalled £198,000, a 24 per cent decrease. Deposit and loan interest was more than doubled at £21,000 (£9,000), but underwriting commission was halved to £3,000.

After deducting losses, profits on dealings in investments by a subsidiary was £65,000 (£233,000) giving a total revenue for the year of £287,000 (£507,000).

Interest payable and management fees were reduced to £113,000 (£227,000) and £106,000

(£138,000) respectively and after directors' fees, audit costs and other expenses totalling £72,000 (£85,000) there was a pre-tax loss of £4,000 against a profit of £57,000 last time.

After tax of £13,000 (£28,000) the loss per share worked through at 0.12p (earnings 0.25p). The dividend is unchanged at 0.2p.

Foreign & Colonial Investment Trust increased net assets by 15 per cent to 142.2p per share in the six months ended June. The directors are raising the interim dividend by 20 per cent to 0.72p (0.6p).

Davies & Metcalfe advances 75%

Davies & Metcalfe, mechanical and electrical engineer, increased pre-tax profits by 75 per cent from £419,000 to £739,000 in the six months to the end of June. External sales and other income improved by £2.34m to £28.7m. After tax of £253,900 (£244,000), earnings per

10p share worked through at the increased level of 7.017p (4.003p). The interim dividend is lifted to 0.6775p (0.65p).

The chairman said that the improvement in the level of trading was expected to continue.

Metal Bulletin rises

Metal Bulletin, USM-quoted publisher, saw pre-tax profits advance from £321,000 to £503,000 in the first half of the year. Turnover was lifted from £3.42m to £4.18m. Earnings per share were up to 3.95p (2.55p) and there is an interim dividend of 1.85p (1.65p).

Capital Gains Tax

THE KEY FIGURES FOR CALCULATING YOUR TAX

A new booklet is now available to help you calculate capital gains tax in light of the changes outlined in the last budget. Priced £7.00, the booklet includes—

- 1988 Budget CGT Proposals
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- Capital Gains Tax Indexation
- Key 1982 Prices for UK Equities, Unit Trusts, US Equities, Overseas Shares, International Bonds, Average House Prices

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Bob Fuller Director, Capital Markets Chenithouse Bank Limited	Richard Kinley Managing Director, Capital Markets Chenithouse Bank Limited

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IL COMITATO PER L'INTERVENTO NELLA S.I.R. INFORMS

1) That, contrary to the announcement published on August 2nd, the final date for the deposit of the offers to the notaries is postponed from September 1st to September 12th, 1988.

2) That the final date for the delivery of all offers to the Comitato by the notaries is postponed from September 7th to September 14th, 1988.

BP HALF-YEAR RESULTS 1988

THE SCORE AT HALF TIME.

In keeping with BP's policy of creating value for shareholders and reflecting a sound performance in the first six months of 1988, the Board of BP has decided to increase the interim dividend from 4.5p to 5.0p for each fully and partly-paid 25p ordinary share.

We achieved a Replacement Cost profit for the half year of £731 million, an increase of 25% on the corresponding 1987 figure.

On an Historical Cost basis, profit was £620 million. Net stock holding losses of £111 million for the six months reflected the weakness in the price of oil in world markets.

Exploration and Production had to

KEY FINANCIAL RESULTS

	1988 HALF-YEAR	1987 HALF-YEAR
Replacement Cost Profit	£731m	£581m
Historical Cost Profit	£620m	£775m
Operating Profit	£731m	£584m
Dividend per ordinary share	5.0p	4.5p

contend with lower crude prices and a weaker dollar. Both Refining and Marketing and Chemicals benefited from lower feedstock prices and firmer product markets. Minerals achieved a marked upturn, assisted by improved commodity prices and a recent programme of restructuring.

BP

Britain at its best.

UK COMPANY NEWS

Telfos is 'trying to buy on the cheap' says Runciman

By Clay Harris

WALTER RUNCIMAN, a diversified shipping group, yesterday defended its corporate strategy and accused Telfos Holdings of trying to buy the company on the cheap.

The two companies' pre-ter profits and earnings since 1984. "Telfos's uninspiring earnings record provides no evidence that they could sustain the growth which Runciman has achieved in the specialised areas in which it operates," Mr Runciman said.

transport of liquefied petroleum and chemical gases. The Telfos International security division had concentrated manufacturing on one site.

WH Smith in £7m stationery expansion

By Maggie Urry

WH SMITH, the retail and distribution group, is paying £7m for Sateva, a privately owned, office stationery distributor. The purchase follows the £12.9m acquisition of Pentagon, another commercial stationery supplier, announced in January.

Corporate changes leave Mosaic profits doubled at near £1m

MOSAIC INVESTMENTS, formerly Press Tools, doubled pre-tax profits from £286,000 to £576,000 in the year to April 30. Turnover for the Midlands-based holding and entrepreneurial management company jumped 60 per cent to £7.2m.

The industrial products division, of which Press Tools Holdings is the holding company, had an excellent year, directors reported. Its operating profits increased by 75 per cent to £714,000 (£407,000), and while that level of growth was exceptional, they added that current trading remained encouraging.

Admiral Computing in £1.2m purchase of Itech Information

By Vanessa Houlder

ADMIRAL COMPUTING Group, computer software consultant, yesterday announced a \$1.2m acquisition of Itech Information Technology Services, a software services company. This is Admiral's first acquisition since it joined the market in March last year.

Admiral said that the acquisition of Itech would broaden its geographical presence in the UK. In addition, the deal would expand Admiral's customer base and would widen its scope for recruiting scarce technical staff.

ware services for industrial, technical and defence markets, made prior to exceptional items of £193,000 on turnover of £285,000 for the year to March 31. The payment will be in the form of £424,000 in cash and 499,800 new shares in Admiral at 145p per share.

SKF in £5m purchase of AMPEP

SKF of Sweden, the world's leading supplier of roller bearings, yesterday announced the £5m acquisition of AMPEP, a Bristol-based manufacturer of bearings for the aerospace market.

craft and helicopters, will add to SKF's existing presence in the aerospace bearings market. The terms of the offer, which has been accepted by 53.1 per cent of shareholders, are £2 in cash or its equivalent in British (UK) 10 per cent loan-notes 1992 for each AMPEP share.

SHARE STAKES

Changes in company share stakes announced during the past week include:

RE Kemp - As a result of a recent purchase SEP Industrial Holdings now holds 523,625 ordinary (11.5 per cent). Kemp director Mr Victor Mann has disposed of his holding of 350,000 ordinary (5.3 per cent).

Michael Page Group - As a result of recent purchases the interest of the Prudential Corporation group of companies together with that of the segregated funds totals 3.6m ordinary (6.1 per cent).

Plantation Trust Company - Director J.P. Rose has disposed of 1m of the ordinary capital. Abbey Life Assurance has increased its holding in Plantation Trust to 770,000 ordinary (7.53 per cent).

COMPANY NEWS IN BRIEF

HENNETT & FOUNTAIN: Offer for Edwin P Lees and Co (Holdings) is now unconditional. Valid acceptances have been received in respect of 1.14m ordinary Less shares (97.53 per cent). Elections for new B&F ordinary have been received in respect of 1.14m ordinary Less shares.

USOC INVESTMENT Trust saw net asset value rise to 159.5p at June 30 1988 against 140.5p at the halfway stage six months earlier. The trust, which began trading in June last year, reported net profits for the six months to the end of June of \$96,410, compared with a loss between starting up and the end of the year of \$2.9m. Earnings per £1 share were 2.6p, and there is an interim dividend of 1p.

CONTRACTS

Spanish motor industry orders

Paint lines at four factories

now in the final stages of completion. Haden Drysys Espana will design, supply and install a paint plant for Nissan at its Barcelona factory.

systems and air make-up systems. A contract worth \$5m has also been placed with Haden Drysys for the supply and installation of Haden's "Hydrospin" Mark III spray booths and ovens in the company's Valladolid plant near Madrid. The Renault contract is scheduled for completion in mid-1989.

Cast iron components for Nissan

Nissan Motor's Spanish subsidiary, NISSAN IBERICA, has won a contract to supply cast iron components to Nissan Manufacturing UK, writes Ian Rodger in Tokyo.

Amid celebrations for the 25th anniversary of HADEN DRYSYS ESPANA - a subsidiary of Haden Drysys International, Birmingham - the company has won contracts valued at £17.75m from major vehicle manufacturers in Spain.

A \$4.55m contract from Nissan, mirrors the projects undertaken by Haden Drysys in the UK, for the company's Sunderland plant, which is

Haden Drysys International is a subsidiary of Haden MacLellan Holdings.

Healthcare computer system

St Anthony's Health Corporation of Amarillo, Texas, has signed a \$3.25m (£1.8m) contract with HEALTHCARE SYSTEMS for the purchase of the Leadership Series HIS (Hospital Information System) Digital Equipment Corporation hardware.

corporate also operates St Anthony's Enterprises, Inc. a nationwide network of mobile diagnostic centres, including CT scanners, mammography, lithotripsy and MRI.

VAX 8500s, on which they will implement The Leadership Series in its entirety. The installation will take place in phases. The first phase, now in progress, includes patient management, patient accounting, oral communications, results reporting and medical records management. Clinical applications, nursing management and general accounting systems will follow.

Resurfacing roads and runways

WIMPEY HOBBS, the quarrying and surfacing subsidiary of George Wimpey, has been awarded work totalling over \$7m.

Gloucester County Council has appointed Wimpey Hobbs as the main contractor under a £1.8m contract for the resurfacing and reconstruction of the southbound arm of the M6 motorway, between Junctions 9 and 11.

facing the new A17 Long Sutton-to-Sutton Bridge by-pass, Spalding, under a £1.7m contract for A. Monk.

Slaughterhouses in Zimbabwe

AFV, a supplier of process engineering to the world's food and drink industries, has secured through its wholly-owned subsidiary, APV Pasteur, a share of an order worth about \$27m for the supply of equipment for three slaughterhouses in Zimbabwe.

The order, for cold storage equipment and cold room panels, slaughter processing and secondary product equipment, has been awarded to Intervol Food Technology. The company is a joint Danish venture in which APV has a 50 per cent share.

TVO TEOLLISUUDEN VOIMA OY - INDUSTRIINS KRAFT AB (TVO POWER COMPANY) KUWAIT DINARS 7,000,000 7-7/8% GUARANTEED BONDS DUE 1989

Table with 4 columns of numbers, likely a stock index or share price table.

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KUWAIT FOREIGN TRADING CONTRACTING & INVESTMENT CO. (S.A.K.) OMAR BIN AL-KHATIB STREET, SHARQ P.O. BOX 5665 13057, SAFAT, KUWAIT

NOTICE TO NOTEHOLDERS OF ZIM ENERGY CORP. 7.5% CONVERTIBLE SUBORDINATED SERIES B NOTES DUE 2001

NOTICE TO NOTEHOLDERS OF THE REPUBLIC OF INDONESIA Floating Rate Notes Due 1993

Table titled SPONSORED SECURITIES with columns for High/Low, Company, Price, Change, Div, Yield, % P/E

Republic of Indonesia Floating Rate Notes Due 1993. NOTICE IS HEREBY GIVEN that, pursuant to the terms and conditions of the Floating Rate Notes Due 1993...

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

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FINANCIAL FUTURES

Short covering helps bonds

US TREASURY bond futures closed lower, but near the day's peak, after Chicago traders pushed the contract up to cover short positions taken out on Wednesday.

Underlying sentiment remained weak, on speculation about a further credit tightening by the Federal Reserve. This week's rise in US interest rates has already pushed the yield on the long bond to the highest level since December.

Worse than expected demand by the US Treasury on Wednesday added to the generally nervous tone.

Japanese investors bought about 30 p.c. of the \$1bn of 10-year notes. Japanese enthusiasm for the paper was described as poor to moderate.

This was put down fears that US rates are set to move still higher.

Long gilt futures moved in a narrow range on LIFFE, and also finished near the day's high. The pound's strength on the foreign exchanges underpinned sterling contracts, but the threat of higher interest rates kept trading subdued.

Estimated volume total, Cals 222 Pals 1795 Previous day's open Int. Cals 2024 Pals 35191

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EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Vol, Last, Bid, Ask, and Stock. Lists various options contracts and their market data.

TOTAL VOLUME IN CONTRACTS: 69,403

A=Ask B=Bid C=Call P=Put

STERLING INDEX

Table showing Sterling Index values for different periods: 1 month, 3 months, 6 months, 12 months.

CURRENCY RATES

Table showing currency rates for various countries: Australia, Canada, Hong Kong, etc.

CURRENCY MOVEMENTS

Table showing percentage changes in currency values for various currencies.

OTHER CURRENCIES

Table showing exchange rates for other currencies like Argentina, Brazil, etc.

POUND SPOT-FORWARD AGAINST THE POUND

Table showing pound spot and forward rates against the pound for various currencies.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

Table showing dollar spot and forward rates against the dollar for various currencies.

EURO CURRENCY INTEREST RATES

Table showing Euro currency interest rates for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates between various currencies.

LONDON (LIFFE)

Table showing London (LIFFE) market data for various contracts.

CHICAGO

Table showing Chicago market data for various contracts.

U.S. TREASURY BOND 8 1/2%

Table showing U.S. Treasury Bond 8 1/2% market data.

U.S. TREASURY BOND 8%

Table showing U.S. Treasury Bond 8% market data.

JAPANESE YEN BOND

Table showing Japanese Yen Bond market data.

DEUTSCHE MARK BOND

Table showing Deutsche Mark Bond market data.

U.S. TREASURY BOND 10%

Table showing U.S. Treasury Bond 10% market data.

U.S. TREASURY BOND 12 1/2%

Table showing U.S. Treasury Bond 12 1/2% market data.

THREE-MONTH EURO CURRENCY BOND

Table showing three-month Euro currency bond market data.

STANDARD & POORE'S 500 INDEX

Table showing Standard & Poore's 500 Index market data.

CURRENCY FUTURES

Table showing currency futures market data.

FOREIGN EXCHANGE

Table showing foreign exchange market data.

STERLING 3 MONTH

Table showing Sterling 3 month market data.

STERLING 6 MONTH

Table showing Sterling 6 month market data.

STERLING 12 MONTH

Table showing Sterling 12 month market data.

MONEY MARKETS

Upward pressure

THE UPWARD trend in world interest rates continued yesterday. US banks raised prime rates 1/2 p.c. to 10 p.c., and European money market rates were very firm.

Call money in Paris rose above the Bank of France market intervention rate of 7 1/4 p.c., and in Frankfurt remained tight up against the Bundesbank's Lombard emergency funding rate of 5 p.c. French call money rose to 7 1/4 p.c. from 6 1/2 p.c., as the franc weakened against the D-Mark.

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BASE LENDING RATES

Table showing base lending rates for various banks and currencies.

Advertisement for IMI (Istituto Mobiliare Italiano) featuring a large logo and text: 'CORPORATE FINANCE ASSET MANAGEMENT INVESTMENT BANKING'. Includes contact information and a list of services.

Handwritten note: "Handwritten note in a box at the top center of the page, possibly a date or reference number." The text is illegible due to blurriness.

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, organized into columns with headers like 'Fund Name', 'Price', 'Yield', and 'Risk'. The table is divided into sections such as 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts, including names like 'AA Friendly Society' and 'Albion Life Assurance Co Ltd', along with their respective prices and yields.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts, including names like 'Bathurst & Co Ltd' and 'Crest Fund Management Ltd', with their financial details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

Handwritten note: "مكتبة الجليل"

Main table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

Table of LONDON SHARE SERVICE, including sections for BRITISH FUNDS, FOREIGN BONDS & RAILS, AMERICANS, INT. BANK AND O'SEAS GOVT STERLING ISSUES, CORPORATION LOANS, COMMONWEALTH & AFRICAN LOANS, and LOANS.

Table of Money Market Trust Funds, listing various funds with columns for Name, Price, Yield, and other financial metrics.

Additional text at the bottom of the page, including "OTHER OFFSHORE FUNDS" and "Money Market Bank Accounts".

LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and other financial data.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and other financial data.

BANKS, HP & LEASING

Table listing bank and leasing stocks with columns for stock name, price, and other financial data.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and road stocks (continued) with columns for stock name, price, and other financial data.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and other financial data.

DRAPERY AND STORES

Table listing drapery and store stocks with columns for stock name, price, and other financial data.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road stocks (continued) with columns for stock name, price, and other financial data.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and other financial data.

ENGINEERING - Contd

Table listing engineering stocks (continued) with columns for stock name, price, and other financial data.

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ENGINEERING

Table listing engineering stocks (continued) with columns for stock name, price, and other financial data.

ENGINEERING - Contd

Table listing engineering stocks (continued) with columns for stock name, price, and other financial data.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and other financial data.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and other financial data.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks with columns for stock name, price, and other financial data.

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INSURANCES

Table listing insurance stocks with columns for stock name, price, and other financial data.

INSURANCES

Table listing insurance stocks (continued) with columns for stock name, price, and other financial data.

LEISURE

Table listing leisure stocks with columns for stock name, price, and other financial data.

Handwritten text at the bottom of the page, possibly a signature or note.

Handwritten note in Arabic script: "مكتبة لاند"

LONDON SHARE SERVICE

LEISURE - Contd

Table of stock prices for Leisure sector including companies like Leisure Group, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of stock prices for Paper, Printing, Advertising sector including companies like Newsprint, etc.

TEXTILES - Contd

Table of stock prices for Textiles sector including companies like Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of stock prices for Trusts, Finance, Land sector including companies like Finance, etc.

OIL AND GAS - Contd

Table of stock prices for Oil and Gas sector including companies like Oil, etc.

MINES - Contd

Table of stock prices for Mines sector including companies like Mines, etc.

MOTORS, AIRCRAFT TRADES

Table of stock prices for Motors, Aircraft Trades sector including companies like Motors, etc.

PROPERTY

Table of stock prices for Property sector including companies like Property, etc.

TOBACCO

Table of stock prices for Tobacco sector including companies like Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of stock prices for Trusts, Finance, Land sector including companies like Finance, etc.

OVERSEAS TRADERS

Table of stock prices for Overseas Traders sector including companies like Overseas, etc.

PLANTATIONS

Table of stock prices for Plantations sector including companies like Plantations, etc.

TEAS

Table of stock prices for Teas sector including companies like Teas, etc.

MINES

Table of stock prices for Mines sector including companies like Mines, etc.

THIRD MARKET

Table of stock prices for Third Market sector including companies like Third Market, etc.

NEWSPAPERS, PUBLISHERS

Table of stock prices for Newspapers, Publishers sector including companies like Newspapers, etc.

SHIPPING

Table of stock prices for Shipping sector including companies like Shipping, etc.

FINANCE, LAND, ETC

Table of stock prices for Finance, Land, Etc sector including companies like Finance, etc.

OIL AND GAS

Table of stock prices for Oil and Gas sector including companies like Oil, etc.

FAR WEST RAND

Table of stock prices for Far West Rand sector including companies like Far West, etc.

O.F.S.

Table of stock prices for O.F.S. sector including companies like O.F.S., etc.

DIAMOND AND PLATINUM

Table of stock prices for Diamond and Platinum sector including companies like Diamond, etc.

CENTRAL AFRICA

Table of stock prices for Central Africa sector including companies like Central Africa, etc.

FINANCE

Table of stock prices for Finance sector including companies like Finance, etc.

SHOES AND LEATHER

Table of stock prices for Shoes and Leather sector including companies like Shoes, etc.

SOUTH AFRICANS

Table of stock prices for South Africans sector including companies like South Africans, etc.

TEXTILES

Table of stock prices for Textiles sector including companies like Textiles, etc.

PAPER, PRINTING, ADVERTISING

Table of stock prices for Paper, Printing, Advertising sector including companies like Paper, etc.

NOTES

Stock Exchange dealing classifications are indicated to the right of security names; in Alpha, Beta, Gamma, Delta, Epsilon, Zeta, Eta, Theta, Iota, Kappa, Lambda, Mu, Nu, Xi, Omicron, Pi, Rho, Sigma, Tau, Upsilon, Phi, Chi, Psi, Omega.

REGIONAL & IRISH STOCKS

Table of stock prices for Regional & Irish Stocks including companies like Regional, etc.

TRADITIONAL OPTIONS

Table of stock prices for Traditional Options including companies like Options, etc.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns: EQUITY GROUPS & SUB-SECTIONS, Thursday August 11 1988, Wed Aug 10, Thu Aug 11, Mon Aug 8, Year ago (approx.). Rows include CAPITAL GOODS, BUILDING MATERIALS, CONTRACTING, etc.

Table with columns: FIXED INTEREST, AVERAGE GROSS REDEMPTION YIELDS, THU AUG 11, WED AUG 10, YEAR AGO (APPROX.). Rows include BRITISH GOVERNMENT, 1-5 years, 5-15 years, etc.

RISES AND FALLS YESTERDAY

Table with columns: RISES, FALLS, SAME. Rows include Corporate Funds, Industrial, Financial and Properties, etc.

LONDON RECENT ISSUES

Table with columns: EQUITIES, Issue, Amount, Latest Price, High, Low, Stock, Change. Rows include Abbey National, Abbey National, Abbey National, etc.

FIXED INTEREST ISSUES

Table with columns: Issue, Amount, Latest Price, High, Low, Stock, Change. Rows include 100p, 100p, 100p, etc.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest Price, High, Low, Stock, Change. Rows include 100, 100, 100, etc.

TRADITIONAL OPTIONS

Table with columns: Issue, Amount, Latest Price, High, Low, Stock, Change. Rows include 100, 100, 100, etc.

LONDON TRADED OPTIONS

Large table with columns: CALLS, PUTS, GAINS, PAYS. Rows include various option contracts like 100, 200, 300, etc.

Advertisement for Financial i. Text: 'How much do you really know about U.S. TREASURIES, GILTS, SWAPS, EUROBONDS, CURRENCY OPTIONS, GOLD AND FOREIGN EXCHANGE?'. Includes logo and contact information.

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LONDON STOCK EXCHANGE

Equities rally after early downturn

A STEADY performance from the pound helped restrain underlying worries over interest rates in London, and the near term at least, and both gilts and equities enjoyed fairly calm trading sessions yesterday.

Further rises in UK base rates discouraged fund managers from committing their ample funds in the market place. Share prices took a tumble at midday when the market showed disappointment with the quarterly trading figures from Shell.

The FTSE Index, down 11.6 at mid-session, recovered steadily during the second half of the session to end with a net fall of only 4.7 points at 1835.3. Market turnover remained brisk and the Seaq volume total, which takes in both mar-

ketmaker and customer business, edged up to 465.4m shares. The session was enlivened by a number of corporate developments, although none of these shifted the general direction of the equity sector. Quarterly trading figures from Shell and British Petroleum found contrasting receptions. Shell, which has recently benefited from investors switching out of BP, fell sharply, extending the loss after trading opened in New York. BP's trading figures were well taken however, and the shares attracted substantial support. Speculative situations continued to enliven the market,

Racal giving ground as Cable & Wireless sold its stake and Royal Insurance improving as it terminated a long-running market merger hope by breaking off discussions with Compagnie Financiere du Groupe Victoire. The gilt-edged market was extremely quiet as the 1994 auction stock was absorbed comfortably, the new issue closing unchanged on the day. "The pound was reasonably steady and the New York bond market rallied after its fall", commented one leading trader. "But we are still worried about next week's money supply figures from the UK and trade figures from the US".

FINANCIAL TIMES STOCK INDICES

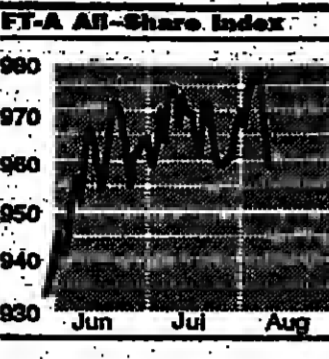
Table with columns for indices (Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.) and rows for dates (Aug 11, Aug 10, Aug 9, Aug 8, Aug 5, Year Ago, High, Low, Since Completion).

Reaction to Shell profits

SECOND-QUARTER results from the two oil majors - BP and Shell - drew contrasting responses. Shell's figures were described as "acutely disappointing" and analysts were partly responsible for knocking sentiment in the market early in the session.

The profits performance - net income of \$583m was at the bottom end of expectations - triggered a rush of selling and lowered the share price to 1017p before late support left the stock a net 34 lower at 1025p. Turnover was 1.5m shares.

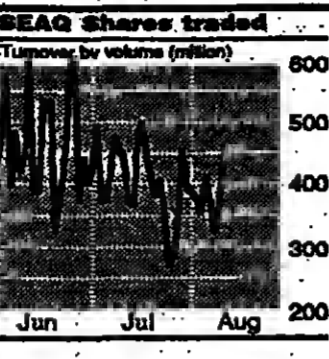
But analysts were keen to point out that the group will announce the interim dividend on September 15. B2W is forecasting a payment of 21p, while Dr Homa Motamen at CIBC Securities is going for 20p, compared with last time's 18.5p and says the shares are a "buy on weakness for the yield". She adds that Shell shares are currently trading at a discount to those of Royal Dutch.



at 320 1/2p on turnover which eventually reached 1.5m. Dealers said the sale of the stake closed one chapter in the Vodafone saga - "the C & W holding and the possibility of a full takeover bid were the icing on the cake for Racal shareholders".

But there was a fair amount of buying interest in the stock after Goldman Sachs, the US securities house handling the New York side of the flotation, issued a major note on Vodafone. Racal shareholders will vote on the Racal board's proposals at a meeting to be held on Tuesday. Cable & Wireless shares gained 6 to 362p.

Royals advance Shares in Royal Insurance moved up to 405p, before closing a net 4 higher at 399p on turnover of 2.9m, at the much talked of link-up between Royals, the UK's biggest composite insurer, and Groupe Vieoite, the French insurance company, was killed off. "Friendly discussions with a view to possible association have been discontinued", Royal shares immediately rose on the news which was interpreted by the market as leaving the group open to a bid from elsewhere.



and with buyers out-matching sellers. Shares improved by 3/4 to 189 1/2p. Two big bargains dominated the day, one of 5m shares at 185p; and another moments later of 2m at 125 1/2p. Both deals were said to have been handled by Hoare Govett. Storehouse also featured, rising 4 to 255p in a flurry of late buying. With the new Account on Monday set to run for three weeks, dealers think some investors are buying Storehouse because they believe property firm Mountheigh might launch a bid for the stores group at some stage during the new, extended account. Mountheigh failed with its first bid for Storehouse eleven months ago, but the one-year moratorium on a second bid will be up at the end of August, right in the middle of the next account.

International stocks were described by one dealer as "dreary, but dangerous". A nervous market saw-sawed after the mixed results from the oil stocks and Wall Street's influence was undiminished. The FT-SE future remained at a discount and led the market lower, although there was little genuine business ahead of the three-week account which starts on Monday. Hanson fell a penny to 137 1/2p after a seller disposed of 1.2m ADS's in New York at 11 1/4. Nomura Research Institute put out a buy recommendation, saying "it is feasible that Hanson could declare 9-month results of \$900m" (\$317m) on August 24.

BYR was steady after the expected excellent results from BYR Nylex, ending the day unchanged at 257p after turnover of 5.4m. ICI fell 4 to 102 1/2p amid continuing arbitrage

activity between New York and London. Amersham improved 11 to 623p in modest turnover. Pearson reacted to an aggressive sell note from Nomura earlier in the week and the shares fell 9 more to 766p in high turnover of 864,000. Scottish & Newcastle spurred into action late as rumours resurfaced that Mr John Elliot's Elders group may be about to launch a bid. The shares gained 11 to 341p in turnover of 1.6m. One dealer mentioned a possible opening bid of 370p today, but added that for marketmakers the concern is to pick the right day. If a bid is made, dealers confidently anticipate a takeover price around the 50p level.

Other leading brewers were down with the wider market, with the exception of Whitbread which ended unchanged at 303p as a stock shortage underpinned the price. Grand Metropolitan ran into profit-taking after their recent run which caught most dealers short and finished the day 5 worse at 506p. Rumours continue to abound that Grand Met may soon counter-bid for leisure group Pleasurama or later announce a major overseas acquisition using the proceeds from the sale of its Inter-Continental hotels.

British Airways traded briskly at 155p, up 3, after touching 156p immediately following the announcement of the July traffic figures. The combined BA and BCal scheduled passenger traffic increased by 22 per cent above that of BA in July. Cargo traffic in the month was 28 per cent higher.

In a review of the company last week, Nomura Research pointed out that it expected the improvement on passenger yields to continue throughout the rest of the year. It also believes that BA remains well positioned to take advantage of the continuing long-term expansion of air traffic generally and regards the current BA rating as undemanding. Smith and Nephew's interim figures (\$54.5m pre-tax against \$48.4m), although not up to best market expectations, appeared to quell recent worries about the slowdown in earnings per share growth. The acquisition of Albion Group was regarded as favourable by a number of commentators. Smith and Nephew shares held steady at 122p, but volume amounted to only 1.1m.

James Finlay went better against the trend as speculation resurfaced of a predator building up a stake prior to a bid. Goode Durrant was the market's first choice but Mr Dudley Thompson, the company's Finance Director, said yesterday, at this point in time, we have not bought any shares". He admitted, however, that

since a recent Scottish report linking the two concerns his group had looked at Finlay because of the business similarities. One broking house has bought the stock aggressively over the past few sessions and renewed its efforts yesterday, leaving the shares 3 higher at 109p.

Adsteam featured again this time in connection with Commercial Union (CU) as the Australian group revealed it had recently lowered its stake in the insurance company by just over 3m shares to 6.91 per cent. CU shares dipped 6 to 366p after turnover of 2.1m. The big-four banks drifted off as did Standard Chartered which settled 7 down at 511p after further speculation about the stakes held by the "White squares" who control some 37 per cent of the bank. Standard is expected to announce interim results on Wednesday. Kleinwort Greaveson is forecasting profits of £18m and an unchanged interim of 12.5p, "but no rights issue until later in the year".

Vickers moved up 3 to 178p in belated response to news of the sale of Comforo Group, a part of the company's office furniture division, for \$17.5m cash. A. Cohen advanced 75 to 100p in a limited market following the annual meeting. Interest in Cohen has been enlivened recently by GM Firth's 8 per cent stake in the group. Ranks Hovis McDougall dominated a subdued Food sector, gaining 4 to 445p in turnover of 3.5m. RHM's confident statement in response to the Goodman Fielder Wattle bid pointed to improved profits and found some new-time buyers. Cadbury Schweppes fell 8 to 372p on lack of news. T Cowie gave a splash of con-

TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for various stocks including ASL Group, Anglo, Amersham, etc., with columns for Value, Price, and % Change.

our to a drab Motor sector, rising 4 to 127p as investors responded to advice given by Hoare Govett. Researcher Mr Mark Wright rates the stock a buy on the basis that the shares have recovered from their low point following the announcement of investigation on behalf of the DTI into specific and minor dealings. He expects continued profits growth from all divisions, in particular the finance division, and a re-rating as investors increasingly recognise that a material fall in the new car market is not imminent. The group could make pre-tax profits of £25m for the year, up 47 per cent on 1987, says Mr Wright. In a downturn Property sector, Speyhawk fell 9 to 305p, when failing to win the contract to develop the British

Waterways Board's Paddington Basin site. Two other developers said to have been in the frame for the £350m regeneration scheme also eased on the news that Trafalgar House had won the day. Stanhope fell 6 to 257p, and Rosehang ceased to trade. Among the Agencies Charles Barker improved 7 to 170p on "new time" speculation that a bid for the company is imminent. So far, more predators have been mentioned in connection with Barker than marketmakers care to remember, but the dealers' favourite remains WPP. With figures due next week, WPP shares were themselves a good market, closing 7 to the good at 605p. Positive recommendations from two securities houses supported BAT Industries. County

NatWest WoodMac said if the UK group is successful in getting Farmers to talk about its increased offer, then it is likely the bid could be concluded without the expensive and time-consuming regulatory hearings creating further uncertainty. Kicat & Aitken couches its circular in similar terms and concludes, "BAT's rating is not high enough to be vulnerable to even a finally improved offer of, say, 57s". BAT has made an increased but conditional offer of 57s cash for each Farmers share. Business in the Traded Options Market was again brisk, with a total of 35,618 contracts reported for the day. Stocks in demand most were Sears, Racal, BP and Hanson Trust. Other statistics, P 25

NEW HIGHS AND LOWS FOR 1988

- List of companies and their stock prices for 1988, including Anglo, Amersham, ASL Group, etc.

APPOINTMENTS general manager of the group's division, Mr Tony Van den Bos, previously director and general manager of the Central European division, has been appointed European services director. He will be responsible for both the Central European and French divisions, and will continue to be based at Rozenburg.

APPOINTMENTS

- APPOINTMENTS BOWATER PACKAGING has appointed Mr Bob Parry as managing director of the company. He was director and general manager of Bowater Bulk Packaging, and succeeds Mr Geoff Carr who has relinquished the post due to ill health.

The Ogilvy Group 1988: Growth continues in Second Quarter.

The Ogilvy Group, Inc. (NASDAQ/LSE - OGIL), the worldwide advertising and marketing services group, reports that net income for the second quarter ended June 30, 1988 increased 11.7 percent to \$9,129,000 from \$8,173,000 in 1987. Earnings per share increased 14.5 percent to \$6.63 from \$5.55 in the second quarter of 1987. 1987 net income included \$680,000, or \$0.05 per share, from the sale of the Company's equity in The Ball Partnership.

Second quarter commission and fee income increased 13.9 percent to \$210,660,000 from \$184,928,000 in 1987, mainly due to growth from existing and new clients. Operating profit increased 13.1 percent to \$20,134,000.

Net income for the first six months increased 31.5 percent to \$12,638,000 compared to \$9,613,000 in 1987. Earnings per share increased 33.8 percent to \$8.7 from \$6.5 in the first six months of 1987. First half commission and fee income increased 15.6 percent to \$400,720,000 from \$346,564,000 in 1987, mainly due to growth from existing and new clients. Operating profit increased 26.9 percent to \$28,626,000.

Kenneth Rozman, Chairman-CEO, commented "Our results for the quarter and the first half were on target in revenue, operating profit and net income. It's clear that, despite competitive pressures and an uncertain industry environment, advertising is a growth business".

Table showing Consolidated Statement of Income for the Ogilvy Group, Inc. for the quarter ended June 30, 1988 (Unaudited) and 1987 (A).

Table showing Consolidated Statement of Income for the Ogilvy Group, Inc. for six months ended June 30, 1988 (Unaudited) and 1987 (A).

Return to the licensed trade

In a surprise move Mr Patrick Townsend, former chairman and chief executive of Matthew Brown, has returned to the industry as deputy chairman of SURREY FREE INNS. He left Matthew Brown last October when Scottish & Newcastle finally won its three-year battle to take over what was the largest independent brewer in the UK. In his new non-executive role he is expected to influence the continued growth of a pub company which, aided by the Business Expansion Scheme, has acquired some 15 outlets and built its turnover to £4m plus since its formation less than two-and-a-half years ago.

Mr Richard Mansell-Jones, chairman of J. Bibby & Sons, has been appointed a director of Barlow Rand, South Africa. Mr Michael Delahouke has been appointed business development director of International Distillers and Vintners. He is deputy managing director of Grand Metropolitan Brewing, to which Mr Keith Edin has been appointed as trading director. Mr Edin becomes chairman of regional subsidiary companies Samuel Webster and Wilsons; Mains & Norwich Brewery, Uetersen Brewery, and Phoenix Brewery. Mr E.W. Taylor, managing director of Watney Truman, has also been appointed to the board of Grand Metropolitan Brewing. All the companies are part of the GRAND METROPOLITAN GROUP.

Mr Howard Little has been appointed to the board of POWELL DUFFEY WAGON, Cardiff, with special responsibility for Powell Duffey Tools. He was field sales manager.

(A) Restated to reflect 1987 poolings of interests. (B) Includes a gift of 91,000,000 (200,000,000, net, or 1.05 per share) from the sale of The Ball Partnership.

COMMODITIES AND AGRICULTURE

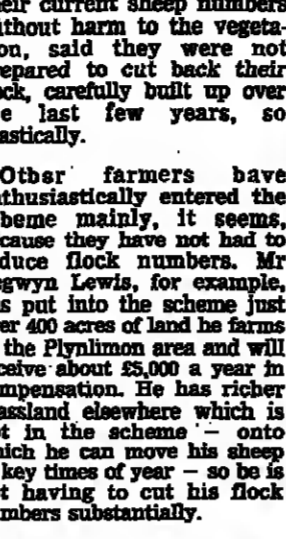
Higher crop forecasts hit cocoa prices

By David Blackwell
COCOA PRICES fell to 6-year lows on the London futures market yesterday. The second position closed at 2387 a tonne - the lowest since July 28, 1982.

'Money for nothing' puzzle for Welsh farmers

Bridget Bloom reports on misgivings about the Cambrian Mountains conservation scheme

THE UK Government's latest effort to protect the rural environment is causing consternation among some Welsh farmers. "It's really so contradictory we don't know whether we're going backwards or forwards," commented Mrs Lynn Thomas, who, with her husband Alun, farms just over 1,000 rounded, ravine-filled acres in the Cambrian Mountains of mid-Wales.



Cambrian Mountains Environmentally Sensitive Area. Original Area Mar 1 1987. Extended Area Jun 1 1988.

Other farmers have enthusiastically entered the scheme mainly, it seems, because they have not had to reduce flock numbers. Mr Tegwyn Lewis, for example, has put into the scheme just over 400 acres of land he farms in the Plynlimon area and will receive about £5,000 a year in compensation.

The Cambrian Mountains ESA covers about 150,000 hectares, of which just over 50,000 ha is defined as semi-natural rough grazing and is thus eligible for the scheme. So far, about 13,000 ha have been entered from 83 of the 1,000-plus holdings in the area.

developers - we want to stand and look over the gate to see whether the other fellow is making a go of it before we commit ourselves." But the Cambrian Mountain experiment does illustrate two of the principal difficulties which are beginning to emerge as the ESA schemes move into their second year of operation. They are extremely time-consuming, and thus costly, to set up - and they may not be as effective as officials would have liked in curbing overall production.

Counting the cost of the US drought

By Nancy Dunne in Washington

STARTING AT 3 am Eastern Standard Time yesterday, about 75 commodity specialists and clerks began a 12-hour stint in a locked area of the US Agriculture Department where they worked feverishly to produce the most definitive report yet on the US drought.

Firmer wool prices steady Australian growers nerves

By Chris Sherwell in Sydney

INTERNATIONAL WOOL prices yesterday appeared to have attained a measure of stability at the conclusion of the third week of the new 1988-89 selling season in Australia.

EC farm prices average 150 per cent above world level

By Bridget Bloom, Agriculture Correspondent

THE PRICES which the European Community guarantees to its farmers and food processors were on average 150 per cent higher last month than those pertaining on world markets.

FAO forecasts grain stocks at 'bare minimum'

DROUGHT IN North America will cause world cereal production to fall for the second year running and cut global stocks to the bare minimum, the UN Food and Agricultural Organisation warned yesterday.

US Markets

The grains and soybean complex remained on the defensive for most of the day as professional selling and position-squaring eased prices in advance of today's U.S.D.A. production report to be published after the close.

Chicago

SOYABEANS 5,000 lb. min. cents/bushel

SPOT MARKETS table with columns for Commodity, Price, and Change.

COCOA 50-tonne table with columns for Date, Close, Previous, High/Low.

LONDON METAL EXCHANGE table with columns for Commodity, Price, and Change.

US MARKETS table with columns for Commodity, Price, and Change.

Chicago table with columns for Commodity, Price, and Change.

WORLD COMMODITIES PRICES

SPOT MARKETS table with columns for Commodity, Price, and Change.

COCOA 50-tonne table with columns for Date, Close, Previous, High/Low.

LONDON METAL EXCHANGE table with columns for Commodity, Price, and Change.

US MARKETS table with columns for Commodity, Price, and Change.

Chicago table with columns for Commodity, Price, and Change.

Advertisement for Northern Ireland, including contact information for Brian Herson.

FRUIT AND VEGETABLES table with columns for Commodity, Price, and Change.

LONDON METAL EXCHANGE TRADING OPTIONS table with columns for Commodity, Price, and Change.

NEW YORK table with columns for Commodity, Price, and Change.

Chicago table with columns for Commodity, Price, and Change.

Handwritten note: JPK 10/15/88

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WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Germany, Netherlands, Sweden, Switzerland, and South Africa. Columns include country, date, and various stock indices.

Table of stock market data for Canada, listing various Canadian stocks and their prices. Includes columns for stock name, price, and change.

Table of stock market data for Japan, listing various Japanese stocks and their prices. Includes columns for stock name, price, and change.

Table of stock market data for the Nasdaq national market, listing various technology and financial stocks. Includes columns for stock name, price, and change.

Table of stock market indices for New York, including the Dow Jones Industrial Average and other major indices. Includes columns for index name, value, and change.

Advertisement for Financial Times magazine, featuring the headline 'Have your F.T. hand delivered every morning in Switzerland' and 'Have your F.T. hand delivered in France'. Includes contact information for Geneva and Paris.

FINANCIAL TIMES FRIDAY AUGUST 12 1966 NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

AMX COMPOSITE PRICES

Table of AMX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER Nasdaq national market, 2pm prices August 11

Large table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

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AMERICA

Interest rate worries push Dow further downwards

Wall Street

INTEREST rate concerns were still alive on Wall Street yesterday. After an attempt at stabilising in early trading, the equity and bond markets continued their steep decline of the last two days, writes Deborah Hargreaves in New York.

Following the move by the Federal Reserve board to raise discount rates from 6 to 6.5 per cent on Tuesday, major central banks boosted their prime rates by 1/4 percentage point yesterday to 10 per cent, marking the third such rise in the past three months and their highest level since 1985.

At the same time, the Fed continued to firm short-term interest rates, pushing the Fed funds rate to 9 1/2%, with analysts expecting it to be targeted at around 8 1/4% over the longer term.

The interest rate moves were mostly in line with expectations and initially the markets took them in their stride. However, after fluctuating several points in each direction in morning trading, stocks started to fall more sharply by

midday and by 2 pm the Dow Jones industrial average had fallen 9.42 to 2,824.72.

Broader market indices were largely unchanged by midday with the Standard & Poor's 500 off 0.24 at 261.66 and the New York Stock Exchange Composite 0.11 lower at 148.12.

After trying to stabilise in early trading, the bond market slipped back by midday, when the Treasury's benchmark long bond fell by nearly 1/4 point to 9 1/2% with a yield of 9.40 per cent. Three-month Treasury bill yields moved up slightly to 7.22 per cent.

The dollar was softer in New York trading after Mr Gerhard Stoltenberg, West Germany's finance minister, remarked that the dollar's rise of the last couple of days was "problematic". This was enough to boost the D-Mark and, by midday, the dollar had fallen to DM 1.8890 and ¥133.50.

been adjusted to rise 0.4 per cent.

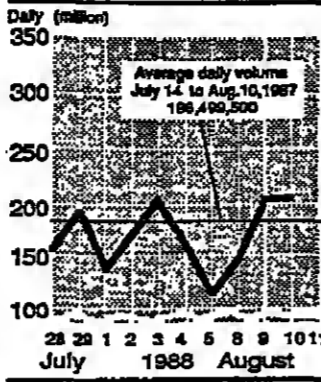
Blue chips were mixed, as the market struggled to find a clear direction after the sharp sell-off of the last couple of days. IBM was an active mover on the New York Stock Exchange, losing 3/4 to \$119, while General Electric rose 3/4 to \$40 1/4 and McDonald's dropped 3/4 to \$49 1/4.

Technical Tape, the industrial and consumer tape concern, jumped 1 1/2% to \$16 1/2 on the American Stock Exchange after the company received a \$16-a-share takeover offer from Beiersdorf of West Germany, which topped an earlier bid of \$13.75 a share from Dainippon Ink & Chemical.

In over-the-counter trading, Convergent Inc, which makes and markets computer systems, leaped 3 1/2% to \$5 1/2 after Unisys agreed to buy the company for cash and stock valued at \$7 a share. Unisys was up 3/4 at \$27.

Integon, the insurance holding company, rose 3/4 to \$6 1/2 in the over-the-counter market after the company's announcement late on Wednesday that it was in sales talks with an unnamed buyer for more than \$7 a share. Southmark, the real

NYSE Volume



estate and financial services firm that holds an 89 per cent stake in Integon, fell 3/4 to \$3 1/4 on the NYSE.

Viacom, the entertainment company, lost 3/4 to \$26 1/2 after announcing a second quarter loss of \$28.6m compared with \$38.8m in the same 1987 period. May Department Stores was up 3/4 to \$34 1/2 after posting a profit of \$63m in the second quarter, up from \$61m.

Canada

FALLING base metals and energy issues pushed Toronto slightly lower in quiet trading at mid-session.

The composite index, which had risen about 5 points in earlier trading, dropped 4.9 to 3,270.1 on light turnover of 3.6m shares.

EUROPE

Composure returns in late trading

SUPPORT for share prices at lower levels and some positive corporate results helped European bourses to regain composure yesterday, and most ended off their lows, writes Our Markets Staff.

FRANKFURT remained under pressure, especially at the start of trading, following its 2 per cent fall on Wednesday and the sharp two-day decline on Wall Street.

However, yesterday's losses were more moderate, with the FAZ index shedding 4.22 to 480.28 at mid-session and the real time DAX index ending 5.31 lower at 1,168.14 after late buying support lifted prices off their lows. Volume fell back to a very thin DM2.16bn as the summer lull continued.

The main concern was still that the rise in the US discount rate would force domestic interest rates up when the Bundesbank returns from holiday on August 23. This was offset to an extent by the overnight recovery in Tokyo and the slightly weaker dollar, which was seen as easing pressure for an immediate rise in interest rates.

There is increasing talk of resistance around the 500 level on the FAZ, with shares falling back each time they reach about 495, and fears of inflation and higher interest rates being

London

A WEAKER opening on Wall Street drained London's confidence yesterday. After a fairly optimistic opening, in defiance of overnight falls in New York and Tokyo, the FT-SE 100

index closed 22.7 down at 1,538.9. New York-oriented stocks Consolidated Goldfields, ICI, Glaxo and Shell - which is due to announce results today - all declined.

A rash of good interim results protected the market from the effects of the lower franc, said one analyst in Paris. "They encouraged a few buyers and restrained others from selling," he said.

The franc fell towards the bottom of the European Monetary System after Finance Minister Mr Pierre Bérégovoy said on Wednesday that he did not intend to raise domestic interest rates. The stronger D-Mark against the dollar put pressure on the franc, leading to a sharp early rise in the French call money rate and to fears that interest rates would have to rise after all.

Hotel group Accor, with 13 per cent higher interim sales, was steady at FF446.50. Beghin-Say, reporting an almost tripling of first-half consolidated net turnover, eased FF6 to FF7.45 and BE France, with interim group sales up 4 per cent, fell back 30 centimes to FF71.50.

Speculative stock LVMH was active, rising FF66 to FF123.00. AMSTERDAM regained some ground in afternoon trading, but interest rate worries left the CBS all share index 2.2 weaker at 95.7, having been almost 3 per cent lower at 98.2. Worse-than-expected second quarter profit figures from Royal Dutch sent the stock down FI 10.10 to FI 234.40, although buyers were reported at the lower levels. R fell as low as FI 238.80.

KNF's good news of a forecast of 40 per cent higher annual profits left it unchanged at the close at FI 165.50, after regaining earlier losses. KLM, which reported a 35.5 per cent fall in first quarter earnings, fell 60 cents to FI 35.80. Interzeta-Müller was one of the day's biggest movers, falling by FI 4.70, or 7 per cent, to FI 60.70.

MILAN also moved lower, although late bargain-hunting pulled prices off their lows, and a number of blue chips recovered further after hours. The Comit index ended 5.16 lower at 523.04 in moderate trading.

Momodison, which analysts believe may have sharply reduced debts following the restructuring by Mr Raul Gardini, fell L40 to close at L1,884, only to recover to L1,920 after the close.

ASIA PACIFIC

Relief at strength of yen helps Nikkei bounce back

Tokyo

THE STRENGTH of the yen came to the rescue of share prices in Tokyo yesterday, and the Nikkei average rebounded following its largest single-day fall this year on Wednesday, writes Michiko Nakamoto in Tokyo.

Despite opening weaker in reaction to Wall Street's decline, the market recovered in early trading, with even early losers such as steels and machinery firms slightly by the end of the morning.

The Nikkei average regained 230.11 to 27,784.83, after moving between a high of 27,832.45 and a low of 27,470.66. Advances led declines by 461 to 417 with 164 issues unchanged. Volume was lower at 616m shares compared with Wednesday's 739.5m.

However, Japanese shares fell back in later trading in London, with the ISE/Nikkei 50 index losing 5.45 from the Tokyo close to 1,852.85.

In Tokyo, the recovery of bond and stock markets was mainly brought about by a stronger yen. There was relief that the yen did not weaken in the wake of the US discount rate increase, said an analyst at Yamachi Securities.

One key concern underlying Wednesday's sharp drop on both markets was that a higher US discount rate might weaken the yen enough to trigger a rise in Japan's discount rate.

Some analysts say there is little reason to believe that the Bank of Japan will raise its discount rate. They argue that inflation is virtually non-existent in Japan and that therefore there is no need to raise interest rates.

Companies with good earnings forecasts led the market higher yesterday, and some analysts remarked that investors were paying more attention to fundamentals.

High-tech issues, increasingly popular because of their

good earnings figures, became the market leaders. Canon advanced ¥70 to a year high of ¥1,600. Sony rose ¥200 to ¥7,020 and Pioneer picked up ¥300 to ¥4,000.

Yamatate-Honeywell and Yokogawa Electric, makers of industrial measuring instruments, both gained on the back of increased plant and equipment investments. Yamatate-Honeywell rose ¥270 to a new high of ¥2,130, while Yokogawa gained ¥140 to ¥1,620.

Situation stocks also rose further, with renewed demand for Kisei Electric Railways pushing the stock up ¥130 to a record high of ¥2,330. Kisei has been popular recently on speculation that its subsidiary, Oriental Land, would be listed on the TSE, as well as on growing interest in issues related to resort development.

Nittetsu Mining also rose to a new high of ¥1,920, up ¥130. The company operates a joint copper mine in Iran and is drawing investor interest as a result of the Gulf war truce.

The yen's rise helped bond prices turn up in morning trading, but they ended only slightly higher on fears of recovery selling.

The moderate rise in benchmark issues and bearishness of non-benchmark issues reflected continuing uncertainty about the future of the market. The benchmark 105th government bond finished the day down 0.045 of a point at 5.355 per cent.

Share prices on the Osaka market also rose yesterday

with the OSE average rising ¥138.22 to ¥77,023.20. High-tech issues attracted buying interest as in Tokyo, with Canon, Fujitsu and Sony moving up.

Roundup

THE PICTURE improved in afternoon trading in leading Asia Pacific markets, although Australia and Singapore still ended lower. Taiwan's steep rally ran into profit-taking.

HONG KONG gained ground on bargain-hunting, with the Hang Seng index printing on 15.9 to 4,585.23. Concern over the previous day's news about corruption charges against stock exchange officials had diminished.

Hutchison Whampoa was the day's most active stock, ending unchanged at HK\$9.58. Hongkong and Shanghai Bank, reporting a 34 per cent rise in interim profits after the market's close, was up 12 1/2 cents at HK\$4.80.

Shares in Henderson Land, off 7 1/2 cents at HK\$4.84, and Wing Tai, 30 cents lower at HK\$10.50, are suspended from today because of the August 18 extraordinary meeting to vote on corporate reorganisation.

AUSTRIAN ALIA made an up ground after falling back early in the session on active selling, and share prices closed slightly lower.

The All Ordinaries index lost 10.6 to 1,616.8, after earlier dropping to 1,601.1. BTR, reporting sharply higher net interim profits, lost 20 cents to A\$3.90 and Hamlet, with improved annual earnings, was steady at A\$2.66.

SINGAPORE also closed above the day's lows as bargain hunters appeared in the afternoon, and the Straits Times industrial index fell 12.64 to 1,138.11. Blue chips fell back, with buying interest concentrating on Malaysian speculative stocks and low-priced issues.

Turkey plucked from prolonged obscurity

The Istanbul bourse was relaunching in December 1985 after a long dormant period dating back to the early part of this century.

The exercise was intended by the Government to widen and deepen Turkey's capital markets, aided by a programme of privatisation. However, such ambitious plans have run up against continued family domination of even the largest holding companies, and the exchange has suffered from inexperience and a lack of institutional investors.

When the new equity market opened, 40 companies were listed, offering only a small percentage of their shares. There are now 50 stocks quoted on the primary market - 47 of which are actively traded, but the exchange is still tiny the previous day's news about corruption charges against stock exchange officials had diminished.

The Government's liquidity squeeze in February, which included an increase to 65 per cent in deposit interest rates, soaked up investors' funds, depriving the market of a potential driving force. Even the Government's first privatisation issue in March - of shares in telephone maker Teletas - contributed to lower equity prices. Although the issue, which was oversubscribed, gave an initial boost to trading, its launch in the middle of a weak market was unsettling.

Anonymous that the Government was secretly selling shares in state holdings knocked share prices in the second half of 1987, with the Istanbul Stock Exchange index falling from a peak of 1,331.87 on August 21 to 673.0 on December 31 last year. Such rumours continue to depress the market, along with liquidity problems, inflation fears and the reticence of investors who got their fingers burnt in the sharp fall last year.

The capitalisation of the exchange's primary market amounts to about TL2,400bn (\$1.6bn), with the top 10 stocks accounting for about 32 per cent of turnover.

Trading is controlled largely by banks, and average daily

MARKET PROFILE



Istanbul

turnover to the end of May this year stood at about ¥1.8bn. The bourse trades officially from 9.30 am to 12.30 pm, on a continuous auction basis. After-hours trading lasts about two hours in the first, or primary market, and half an hour in the second market.

The Istanbul Stock Exchange index tracks the performance of the 50 shares on the primary

market. The index is hovering now at about 455, having reached a high this year of 858.24 on January 25 and a low of 415.08 on July 5.

There is no over-the-counter market, although bonds are traded. Shares, both bearer and registered, rank equally for voting rights.

Foreign investment has been allowed in principle in Turkish equities for the past four years, although exchange controls have in reality precluded such activity on a significant scale.

Last month's decree to liberalise such controls could change that and there is evidence that foreign interest in the market is growing. The decree clarifies the procedure for the setting up of investment trusts and the repatriation of funds, allowing institutions, but not individual investors, to invest through a

STOCK MARKET FACT CHART ISTANBUL

Market capitalisation: TL2,400bn (\$1=TL1.498, £1=TL2.476) Number of shares listed: 50 Top 10 stocks, percentage of market: 32% Trading hours: official - 9.30 am-12.30 pm; after hours - two hours on the primary market Average daily turnover, to end-May 1988: TL1.8bn Main index: Istanbul Stock Exchange index (50 stocks) Current level of index: 452.45; 1988 high: 858.24 (25/1); 1988 low: 415.08 (5/7) Settlement: cash - three days

Address: Istanbul Stock Exchange, Nispetiye Cadde No 340, Topkapi, Istanbul, Turkey, Tel 00 90 7 24 22 65.

Neither foreign nor domestic investors are able to withhold tax. The market is paper-based, with computerisation due to be introduced in the next two to three years. The profile series continues next week with Taiwan

Jim Bodgener

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns for National and Regional Markets, Wednesday August 10 1988, Tuesday August 9 1988, and Dollar Index. Rows list various countries and their stock indices.

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times, Goldman, Sachs & Co., Wood Mackenzie & Co. Ltd. 1987. Danish prices were not updated August 10. Latest prices were available for this edition.

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